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Olumide Victor Ekanade

*Redeemers University, Ogun State Nigeria, orogidi@yahoo.com*

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# The Dynamics of Forced Neoliberalism in Nigeria Since the 1980s

## **Cover Page Footnote**

I want to sincerely acknowledge the constructive criticisms from Olumide Adedeji of Redeemer's University and Adesoji Oyeranmi of Olabisi Onabanjo University, Nigeria

# The Dynamics of Forced Neoliberalism in Nigeria Since the 1980s

Victor Olumide Ekanade  
Redeemer's University, Nigeria

**Abstract:** Over the last 30 years, the logic of market liberalization has increasingly permeated the social and economic facets of political and economic discourse to such an extent that the core values about the responsibilities and obligations of nation-states to their citizens have been strained. The welfarist ethos featuring in the public finance of some European and North American countries for much of the twentieth century included values such as equity and access, which manifested in the subsidization and affordability of social amenities. The welfarist concept, premised on the experience of western European economies, was based on the logic that if a large proportion of the population could not afford clean water, health care, or education for their children, long-term corporate interests of the society would be undermined. State-subsidized provision of these essentials was thus fully embraced because of the understanding of the short and long-term public interest involved. However, by the 1980s, changes in international markets fostered a precipitous decline in African economies. Many governments thus jettisoned its state-centered economic strategy since it could no longer fund public expenditure on sustainable basis. Nowhere was the shift in economic policy more pronounced as in Nigeria. The drastic decline in national revenue due to a dip in international price of oil led to Nigeria's balance of payment deficit making the introduction of forced neoliberal economic policy inevitable. Analyzing the dynamics of policy formulation and implementation since the 1980s, this article argues that Nigeria's uncritical embrace of Western-styled neoliberal economic policy largely undermined the country's quest for a sustainable economic development.

**Keywords:** Nigeria; Neoliberalism; Social Welfare; Democracy; Poverty; Military Regimes; Economic Reforms; Privatization; Corruption.

## Introduction

Nigeria's experience with neoliberal economic policy presents a classic example of a state which progressively shifted from a relative welfare state to ad-hoc welfarist state and full blown free market economy. The implementation of Structural Adjustment Programs (SAPs) in the country between 1986 and early 1990s, in addition to neoliberal policies under civil regimes from 1999 until the present, have had colossal implications for Nigeria's national development. In

this neoliberal context, democracy was re-established to satisfy market demands without adequate regard to social needs. Neoliberal reforms were not concerned with social issues but with market efficiency, which worked against the basic tenets of human rights and constitutional safeguards for Nigerian citizens. Forced neoliberalism is state policy foisted on the people in a democracy without their due consent. This practice is typical of politics in post-colonial Africa.

Neoliberal economic policies and profound internal socio-political convulsions are challenging African states, including Nigeria. Even though they are acknowledged as independent states within the global community, African countries have not adequately established themselves as nations with national identities. They also have not conquered the challenges of good governance and gained their economic autonomy. The post-Westphalian states of Europe treat African states as dependent associates, providing them with financial aid through international agencies such as the Bretton Woods institutions.<sup>1</sup> Nigeria for instance is a subordinate unit responsive to the policies of international organizations, and subject to the imposition of their programs such as the World Bank's SAPs based on neoliberal principles.<sup>2</sup> The SAP instituted in Nigeria in 1986 under General Ibrahim Babangida proved dreadful in terms of implementation and outcomes as it led to a drop in the standard of living of the majority of Nigerians as subsidies on essential commodities and services were removed, provoking a series of devastating riots. Furthermore, the outcomes of neoliberal policies established with the return of democratic regime of Chief Olusegun Obasanjo, between 1999 and 2007, were also disappointing. As a democratic regime, it was expected that the Obasanjo government would create conditions aimed at reducing poverty and inequality. Rather the established democracy abided with market standards without due consideration for the needs of the citizenry. This article examines the contradiction of the institutionalization of democracy in Nigeria as a moral value while at the same time negating the social rights of its citizens. It argues that the growth of electoral democracy occurred at the same time of heightened social problems in the country, and shows how neoliberalism since 1999 worsened the plight of a large segment of the Nigerian population, deepening poverty, inequality, unemployment, and social exclusion.

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<sup>1</sup> George Clement Bond, "Globalization, Neoliberalism, Historical Conditionalities," *The Journal of African American History* 88, no. 4 (Autumn, 2003): 330. Peter Lewis, "From Prebendalism to Predation: The Political Economy of Decline in Nigeria," *The Journal of Modern African Studies* 34 no.1 (Mar, 1996), 81.

<sup>2</sup> Babawale Tunde and Onuoha Browne, "The State Corruption and the Challenges of Good Governance," in *Rich but Poor, Corruption and Good governance in Nigeria*, ed. Lai Olurode and Remi Anifowoshe (Lagos: University of Lagos, 2005), 64.

## Conceptual Framework

The received wisdom in literature on neoliberalism in Africa and Latin America as posited by Graham Harrison, George Clement Bond, Margaret Hanson and James Hentz, Adebayo Olukoshi, Chibuzo Nwoke, and Pablo Gonzalez Casanova is that the failure of leadership in these continents and the need to revamp their distressed economies necessitated the introduction of neoliberal policies in the polities.<sup>3</sup> This amounts to a misreading of these societies, especially African states where neoliberalism is fundamentally in disharmony with African communal ways of life but finds relevance in the socialist mode of production. Another consensus in literature is that structural adjustment and neoliberal policies imposed on Africa and Latin America all carry a specific political and economic principle that is decisively anti-people- anti working class but pro-private capital. One of the many tragedies of neoliberalism is that in its bid to promote the forces of the market and long term interests of the private capitalist class, systematic assaults have been launched on the African and Latin American states' welfare, social, and public expenditure programs, which have in turn resulted in backlash. Thus it cannot be assumed that developmental needs of the state and citizenry will be served by simply turning to the market. The body of literature mentioned above does not however explain how neoliberalism interacted with the democratization process, corruption, and constitutional provisions in these states. This is a gap this article will attempt to fill in, using the context of the Nigerian state.

According to Adejumbi Said, historically the provision of social welfare services has been a state responsibility in both developed and developing countries. However the introduction of privatization, which was meant to help curtail government expenditure, creates new social problems or exacerbates existing ones which would require supplementary public spending in order to contain them.<sup>4</sup> For Jarret Alfred<sup>5</sup> and Claude Ake,<sup>6</sup> colonialism left behind a legacy of a social welfare system irrelevant to the social needs of the masses in Nigeria, as it was structured for profit maximization and essentially designed to

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<sup>3</sup> Graham Harrison, "Economic Faith, Social Project and a Misreading of African Society; the Travails of Neoliberalism in Africa," *Third World Quarterly* 26, no. 8 (2005): 1303-1320; Bond; Margaret Hanson and James Hentz, "Neocolonialism and Neoliberalism in South Africa and Zambia," *Political Science Quarterly* 114, no. 3 (1999): 479-502; Olukoshi Adebayo and Chibuzo. N. Nwoke, "The Theoretical and Conceptual Underpinnings of Structural Adjustment Programmes" in *Structural Adjustment in West Africa*, eds. Olukoshi Adebayo, Omotayo Olaniyan and Femi Aribisala (Lagos: NIIA, 1994), 11-27.

<sup>4</sup> Adejumbi Said, "Privatisation Policy and the Delivery of Social Welfare Services in Africa: A Nigerian Example," *Journal of Social Development in Africa* 14, no. 2 (1999): 87-108.

<sup>5</sup> Alfred A. Jarrett, "Problems and Prospects of the Social Welfare Systems of Sierra Leone and Nigeria," *International Social Work* 34, no. 2 (April, 1991): 143-157.

<sup>6</sup> Claude Ake, *A Political Economy of Africa* (New York: Longman, 1981).

meet not the needs of the colony but those of the colonial masters. Thus it did not encourage investment in social welfare schemes for the African population. After independence, Nigeria inherited the outdated social welfare system left behind by the colonial order. This had serious implications for structural adaptation, cost efficiency, and effectiveness of these public corporations in terms of delivery of welfare services since most of the public corporations were centrally controlled. For Arowosegbe Jeremiah, the inherent character of the “imported state,” oriented exclusively towards maintenance of law and order, explains the overdeveloped status of the state’s apparatuses of violence, which was a tool for maximizing colonial exploitation, relative to its educational, health, and other welfare systems. Local elites under successive regimes in Nigeria have not innovatively engaged with reinventing the state but have continued along the same trajectory.<sup>7</sup>

### **Historical Background of Neo-liberalism**

Neoliberalism is rooted in the classical liberal ideas of Adam Smith and David Ricardo. Both viewed the market as a self-regulating mechanism tending towards equilibrium of supply and demand, thus securing the most efficient allocation of resources. These British economists and philosophers considered that any constraint on free competition would interfere with the natural efficiency of market mechanisms, inevitably leading to social stagnation, political corruption, and the creation of unresponsive state bureaucracies.<sup>8</sup> In modern times, neoliberalism emerged as a synonym for the mainly externally directed attempt to remove the state from the economy. The World Bank’s Berg Report claimed that many of Africa’s economic problems emanated from excessive inefficient state intervention in the economy.<sup>9</sup>

Neoliberalism is steeped in a system of economic, social, and political ideals that are rightwing versions of the modern post-enlightenment themes of rationality, democracy, and individual freedom. Neoclassical economics rethought these eighteenth and nineteenth century principles of economic modernism and for a while reluctantly abandoned pure market determination for limited state regulation during the Keynesian interlude of post-war period. During the 1970’s when widespread problems of stagflation were deemed beyond the reach of Keynesian fiscal policy, nineteenth century liberalism was revived as a rightwing

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<sup>7</sup> Jeremiah Arowosegbe, “Claude Ake: Political Integration and the Challenges of Nationhood in Africa,” *Development and Change* 42, no. 1 (January, 2011): 349-365.

<sup>8</sup> Steger Manfred, *Globalization: A Very Short Introduction* (Oxford: Oxford University Press, 2003).

<sup>9</sup> Harrison, “Economic Faith, Social Project,” 1303-1304.

version of neoliberalism.<sup>10</sup>

Neoliberalism now emerged as monetarism in the 1970s, a reflection of the triumph in the west of the monetarist shade of neo-classical economics, which was against Keynesianism and all it stood for. Monetarism is essentially about ascendancy of the market and “peripheralization” of the state, which in the monetarists’ view had become too large, unfit and inefficient, and excessively interventionist. As part of the effort to reduce the size and role of the state, they called for the withdrawal of a host of subsidies that were introduced at the height of the Keynesian revolution, the elimination of subventions to public enterprises and privatization of those enterprises.<sup>11</sup>

The globalization of the monetarist agenda was skillfully assisted with the coming to power in the early 1980s of conservative governments dedicated to the cause of monetarism in the leading western countries that dominate the world capitalist economy. The most prominent of these governments were those of Margaret Thatcher in Britain, Ronald Reagan in the United States, Helmut Kohl in West Germany, and later Brian Mulroney in Canada.<sup>12</sup> They all dismantled their welfare states in response to the global economic crisis of the 1970’s, the rising costs of labor in Europe and USA, and the rapid development of capitalism in newly industrialized countries (NICs) of Asia that led to increased competition, reduced profit rate, and the crises of overproduction. The resultant effect of the emergence of these rightwing governments, unrepentant in the pursuit of monetarism, was the reorientation of the dominant outlook within the International Monetary Fund (IMF) and World Bank. These two key institutions shed their Keynesian toga and embraced monetarist principles.<sup>13</sup>

The outcome of this reorientation in the IMF and World Bank had fundamental and colossal consequences for developing countries. By 1983/1984, the African debt crisis was serious as debt servicing alone consumed about a third of all their foreign receipts and moved them into severe depression.<sup>14</sup> Thus, the World Bank and IMF were able to use the debt crisis in Africa to gain substantial leverage over

<sup>10</sup> Elaine Hartwick and Richard Peet, “Rethinking Sustainable Development: Neoliberalism and Nature: The case of the WTO,” *Annals of American Academy of Political and Social Science* 590 (November, 2003): 188-211.

<sup>11</sup> Adebayo and Chibuzo, “The Theoretical and Conceptual Underpinnings of Structural Adjustment Programmes,” 14.

<sup>12</sup> Rick Rowden, “An Overview of the Increased Coordination of the International Monetary Fund, World Bank and World Trade, Trade Liberalization Policies,” *2<sup>nd</sup> draft working paper*, Washington DC, October, 2009.

<sup>13</sup> Adebayo and Nwoke, “The Theoretical and Conceptual Underpinnings of Structural Adjustment programme,” 14-15.

<sup>14</sup> Richard Sandbrook, *The Politics of Africa’s Economic Stagnation* (Cambridge: Cambridge University Press, 1989), 24.

economic policies in Africa which hitherto was limited. In their attempt to come to terms with the crisis of their local economies, developing countries approached the World Bank and IMF for financial aid, giving the United States the chance to sell them the Brady Plan.<sup>15</sup> Western countries that dominate these financial bodies such as the United States not only ensured that the two institutions fell in line with their new economic thinking but also encouraged them to make the acceptance and implementation of market reforms a pre-condition for financial assistance to debtor nations.<sup>16</sup> Given the comatose state of most post-colonial third world economies, they embraced the new policies and conditions. The 1980s was the era of monetarists' domination of economic policies in the third world. The IMF and the World Bank effectively imposed their policies of SAP as a panacea of economic transformation throughout developing countries, including Nigeria.

### **Nigeria's Experience with Structural Adjustment**

As a major oil-producing nation, Nigeria enjoyed almost a decade of unprecedented revenue boom arising from the petroleum price increases of the 1970's. One remarkable characteristic of Nigeria's expenditure during this period was its "welfarist" orientation with government domestic investments and concentrated provision of a massive transport system, road networks, public buildings, and health infrastructure. Employment rates soared, coupled with increases in subsidies on food, transport, health, fuel, and education.<sup>17</sup> The Shehu Shagari regime (1979-1983) systematized the subsidized sale and distribution of specific commodities known as essential commodities to Nigerians. These included rice, milk, beef, sugar, among other items. These products were imported by the Nigerian government through the Nigerian National Supply Company and sold to Nigerians at rates below prevailing market prices. These subsidies remained all through the Shagari era but terminated with the introduction of SAPs in 1986, which led to the removal of subsidies, reduction of public expenditures,

<sup>15</sup> John T. Rourke, *International Politics on World Stage* (New York: Mc Graw Hill, 2000), 467- 468. The Brady Plan emphasized that bank creditors should grant debt relief to debtor states in exchange for greater assurance of collectability in the form of principal and interest collateral. Also, debt relief for debtor states needed to be linked to some assurance of economic reform and the resulting debt should be highly tradeable to allow creditors to diversify risk more widely throughout the financial and investment community. See EMTA, "The Brady Plan," accessed April 22, 2013, <http://www.emta.org/template.aspx?id=35&terms=brady+plan>.

<sup>16</sup> David .K. Leonard and Scott Strauss, *Africa's Stalled Development: International Causes and Cures* (London: Lynne Rienner Publishers, 2003), 25-26. See also Elmar Alvater, "Postneoliberalism or Postcapitalism? The Failure of Neoliberalism in the Financial Market Crisis," *Development Dialogue Uppsala* no. 51 (January, 2009): 73-88.

<sup>17</sup> Thandika Mkandawire, "Fiscal Structure, State Contraction and Political Responses from Africa," in *Between Liberalisation and Oppression: The Politics of Structural Adjustment in Africa*, eds. Mkandawire Thandika and Olukoshi Adebayo (Dakar: Codesria, 1995), 37.

privatization, and devaluation of domestic currency.<sup>18</sup>

Part of the reason for the introduction of SAPs was the economic decline that started in the early 1980s. The international source of the crisis was the dramatic flagging of the oil markets in the first half of the 1980s, which made the country's financial position deteriorate. Export revenues plunged by 53 percent between 1980 and 1982, from US\$27.1 billion to US\$12.7 billion.<sup>19</sup> At the same time, the value of internal public debt increased by 72 percent from US\$8.5 billion in 1979 to \$26.9 billion in 1983 while external debt was estimated at \$14.13 billion during this period.<sup>20</sup> As commitments accumulated, short-term borrowing increased, and interest rates escalated. On the domestic scene, the downturn was accentuated by the monocultural nature of the economy, the character of the politicians during the return of the civilian governments in the early 1980s, who were flippant with federal funds, and the endemic corruption of the same class and gross mismanagement of the national treasury. The crisis raised questions of sustainability of state subsidy as social services suffered due to underfunding. The industrial sector shut down 50 percent of its firms and thousands of its workers were laid off.<sup>21</sup> These multifaceted crises provided the immediate domestic context for the adoption by the Nigerian state of an orthodox program of structural adjustment sponsored by the Bretton Woods institutions.<sup>22</sup>

The first serious attempt to examine the role of the state in the Nigerian economy came in 1981 when the Shehu Shagari regime appointed a presidential commission of inquiry to examine the parastatals. The commission's report recommended an increased role for the private sector in administering the partially government-owned organizations. This recommendation was to cut government expenditure at the expense of the masses. In the context of the debt problems, the Shagari administration in April 1982 introduced the Economic Stabilization Act to control imports, introduce more discipline into the monetary system, and narrow the gap between public expenditure and income through cuts in government

<sup>18</sup> Ikubolajeh, Logan and Kidane Mengisteab, "Introduction," in *Beyond Economic Liberalization in Africa: Structural Adjustments and Alternatives*, eds. Kidane Mengisteab and Ikubolajeh Logan (London: Zed, 1995), 3.

<sup>19</sup> Lewis Peter, "The Dysfunctional State of Nigeria," in *Short of the Goal: U.S. Policy and Poorly Performing States*, eds. Nancy Birdsall, Milan Vaishnav, and Robert L. Ayres (Washington D.C: Center for Global Development 2006), 83-116.

<sup>20</sup> James Guseh and Emmanuel Oritsejafor, "Government Size, Political Freedom and Economic Growth in Nigeria, 1960-2000," *Journal of Third World Studies* xxiv, no 1 (2007): 142.

<sup>21</sup> Olukoshi Adebayo, "The Politics of Structural Adjustment in Nigeria," in *Between Liberalisation and Oppression: The Politics of Structural Adjustment in Africa*, eds. P. Thandika Mkandawire and Adebayo Olukoshi (Dakar: Codesria, 1995), 163-164.

<sup>22</sup> Adebayo Olukoshi, "From Crisis to Adjustment in Nigeria," in *The Politics of Structural Adjustment in Nigeria* (London: James Currey and Heinemann, 1993), 1.

expenditure.<sup>23</sup> The stabilization program failed because the regime was reluctant to remove subsidies and commercialize public enterprises. Many stalwarts of the ruling National Party of Nigeria (NPN) owed their enormous wealth to their direct control over the parastatals, marketing of rice, fertilizer, and petroleum products.<sup>24</sup> Consequently, the Shagari government approached the IMF for an extended fund facility of between N1.9 and N2.4 billion. The IMF insisted on certain conditions including privatization, a curb on government spending, trade liberalization, and introduction of sales tax.<sup>25</sup> No concrete agreement was reached with the IMF before the government was overthrown on December 31, 1983.<sup>26</sup>

The successive regime of Muhammadu Buhari agreed with the IMF on the need for fundamental reforms in the Nigerian economy but was unwilling to accept part of the IMF's recommendations such as currency devaluation, privatization, liberalization of trade, and withdrawal of the petroleum subsidy. It nevertheless embraced the policy of commercialization but insisted on state regulations. This resulted in a stalemate and the outcome was the tightening of the boycott of Nigeria by western banks and export credit guarantee agencies. The leading financial institutions insisted that the government had to obtain a clean bill of health from the IMF before the country's debt, put at about \$20 billion in 1984, could be rescheduled and fresh capital injections authorized.<sup>27</sup> The second approach adopted by Buhari's government, in its bid to mitigate the effects of the disparate pressing demands by the IMF and Nigerians on the economy, was the introduction of the policy of counter trade, a modern day variant of trade by barter, with Brazil and some West European states. The scale of the counter trade deals was however too small and costly relative to the magnitude of the country's economic problems<sup>28</sup> Thus, the regime introduced a comprehensive package of austerity measures as part of its own stabilization efforts with severe restriction

<sup>23</sup> Adebayo Olukoshi, "The Management of Nigeria's External Debt: Issues and Problems" in *Nigerian External Debt Crisis: Its Management*, ed. Adebayo Olukoshi (Lagos: Malthouse, 1990), 31.

<sup>24</sup> Ibid. See also Adebayo Olukoshi and Tajudeen Abdulraheem, "Nigeria, Crisis Management under the Buhari Administration," *Review of African Political Economy* no. 34 (1985): 95-96.

<sup>25</sup> Robert. H. Bates, John H. Coates and Jeffrey G. Williamson, "Lost Decades; Lessons from Post-Independence Latin America for Today's Africa," *NBER Working Paper 12610*, National Bureau of Economic Research, Cambridge, Massachusetts (2006), 20.

<sup>26</sup> Yahaya Sheu, "State Versus Market: The Privatization Program of the Nigerian State," in *The Politics of Structural Adjustment*, ed. Adebayo Olukoshi (London: James Currey and Heinemann, 1993), 17-18.

<sup>27</sup> Adebayo Olukoshi, "The Politics of Structural Adjustment in Nigeria," 170-171. See also Yahaya Sheu, "State Versus Market: The Privatization Programme of the Nigerian State," in *The Politics of Structural Adjustment*, 17-19.

<sup>28</sup> Olukoshi, "The Politics of Structural Adjustment in Nigeria," 170-171.

on imports. This made it difficult for local industries to procure essential imported raw materials forcing many of them to close shop. Subsequently, many workers were laid off, and the government itself retrenched many employees to increase its "cost effectiveness." All of these actions were accompanied by high inflation. The price of basic food items rose, and life became increasingly difficult for the masses and even the affluent.<sup>29</sup>

Adequate health care is critical for the worker to maintain his productivity while education is important in order to improve the quality of that productivity. Cost recovery measures introduced in health and education sectors by the Buhari regime had a reverberating impact on the citizenry. The Nigerian constitution stipulates that federal, state, and local governments should fund, in a coordinated manner, a three-tier system of health care. However, total health expenditure in real terms declined sharply from a total of N825.5 million in 1980 to N128.3 million in 1984 representing a fall of about eighty-five percent. The negative impact of this manifested in the increase of the under five-year-old mortality rate which moved from 181.1 per 1,000 live births in 1980 to 192.4 per 1,000 live births in 1985.<sup>30</sup> The illness rate in rural areas also approached 100 per thousand, particularly among children and the aged people in the 1983-1984 period. The education sector also worsened and with it came employees' inability to benefit from educational policy<sup>31</sup>. The total number of secondary schools in the country fell from 38,211 in 1984 to 35,281 in 1985. In addition, the government imposed heavy levies, indiscriminately on parents of school children. At the tertiary level, the government withdrew the feeding program of students, thus increasing the cost for students and their parents<sup>32</sup> Buhari's legitimacy was soon dissipated by his authoritarian nature and he was deposed by General Ibrahim Babangida in

<sup>29</sup> Peter Lewis, "From Prebendalism to Predation: The Political Economy of Decline in Nigeria," *The Journal of Modern African Studies* 34, no. 1 (Mar, 1996): 79-103. See also Adebayo Olukoshi, "The Politics of Structural Adjustment in Nigeria," 157-185. Between 1979 and 1989 the price of garri increased by 700 percent, rice by 1,700 percent, beans by 1,350 percent, yams 3,000 percent, frozen fish 900 percent, beer 350 percent, milk 1,500 percent, bread 2,000 percent, and palm oil 300 percent. See *The Financial Post*, Lagos, October 1-4, 1989, 9.

<sup>30</sup> L.A Amaghionyeodiwe, "Fiscal Federalism, Health Care Spending and National Development: The Nigerian Experience," in *Fiscal Federalism and Nigeria's Economic Development*, ed., Ben

Aigbokhan (Ibadan: Nigerian Economic Society, 1999), 394. See also *Nigeria Demographic and Health Survey*, 1990.

<sup>31</sup> Ibeanu Okechukwu, "The Deteriorating Condition of The Nigerian Peasantry," in *Dead-End to Nigerian Development: An Investigation on the Social, Economic and Political Crisis in Nigeria*, ed. Okwudiba Nnoli (Dakar: Codesria, 1993), 142.

<sup>32</sup> Okwudiba Nnoli, "The Deteriorating Condition of the Nigerian Working Class," in *Dead-End to Nigerian Development: An Investigation on the Social, Economic and Political Crisis in Nigeria*, 169.

August, 1985.

In 1985, Nigeria was still reeling under a heavy debt burden with declining oil revenues, and Babangida opened a national debate on whether Nigeria should take the IMF loan or not and the role the government should play in managing the economic crisis. The premeditated decision of the regime prevailed as Babangida, despite the people's protests, adopted a supposedly homegrown adjustment program akin to the IMF prescriptions. It was obvious that the debate was a smokescreen because Babangida had earlier appointed Chief Olu Falae, a pro-IMF personality as the nation's finance minister and Babangida himself had insisted on the necessity to adjust the naira to its 'realistic' value.<sup>33</sup> This was the SAP, which Babangida claimed would halt economic stagnation and revitalize growth. The SAP was a package of neoliberal economic reforms, primarily aimed at strengthening market forces and retrenching the state. This had dire consequences for the Nigerian political economy and its peoples, state, agriculture, and industry.<sup>34</sup> For instance, the public sector carried out its program of retrenchment through sackings and various other means. One of these was to disband existing public enterprises such as the Nigerian National Supply Company and the various commodity boards. Another was to merge enterprises. Reorganization in corporations such as Nigeria Railway Corporation, Nigeria Airways, and Nigeria Airport Authorities led to the retrenchment of 8,000, 2,500, and 2,000 workers respectively in 1988. In same year, 1988, 32,000 workers in the textile industry were retrenched as spasmodic and eventual permanent closure of industries ensued.<sup>35</sup>

Faced with ever declining standards of living and without resources that formerly co-opted oppositions and nurtured clients, the state under General Babangida increasingly relied on coercion to implement structural adjustment plans.<sup>36</sup> General Babangida sought to assuage popular opposition to adjustment through selective provisioning of certain welfare facilities through institutions such as Directorate for food, roads, and rural infrastructure (DFRRI) to provide special assistance to rural areas, networks of People and Community Banks to extend credit to small scale and local borrowers. The Better Life Programme sponsored by the First Lady was also intended to promote the production of craft works

<sup>33</sup> Olukoshi Adebayo and Tajudeen Abdulraheem, "Nigeria, Crisis Management under the Buhari Administration," *Review of African Political Economy* 12, no. 34 (1985): 101.

<sup>34</sup> Attahiru Jega, "The State and Identity Transformation under Structural Adjustment in Nigeria," in *Identity Transformation and Identity Politics under Structural Adjustment in Nigeria*, ed. Attahiru Jega, (Uppsala: Nordiska African Institute and Centre for Research and Documentation, 2003), 31-33.

<sup>35</sup> Okwudiba Nnoli, "The Deteriorating Condition of the Nigerian Working Class," 162.

<sup>36</sup> M. Paul Lubeck, "The Crisis of African Development: Conflicting Interpretations and Resolutions," *Annual Review of Sociology*, 18 (1992): 519-540.

among the poor, especially women. These initiatives were mostly underfunded, ephemeral, or suffused with corruption, and their impact on popular welfare was questionable.<sup>37</sup>

Education was consistently underfunded at less than 6 percent of total expenditure of the sector during this regime. In previous years though, especially between 1978 and 1982 the federal government spent more than 6 percent of total expenditure on the educational sector. However, in 1992, the federal government spent less than 1 percent of its total expenditure on the sector.<sup>38</sup> This had severe repercussions for infrastructure, teaching, and research activities, and on the quality of students produced. It affected the morale of teachers who were owed arrears of salaries for several months and who had to abandon their duties out of necessity to seek other means of sustenance.<sup>39</sup> Healthcare equally suffered due to the withdrawal of subsidy from that sector under Babangida. Infant mortality increased from 87.2 per 1,000 live births in 1985 to 191 per 100 live births in 1993 as access to safe water also diminished from 45 per 1,000 in 1985 to 40 per 1,000 in 1993 when he stepped aside. By 1991, debt servicing ate up 47 percent of the overall federal budget and remained so in 1992 and 1993. By 1993, the deficit Babangida accumulated was put at N90-N100 billion. The annual budget for that year was N120 billion. One is left to wonder how a country that was adjusting could afford to amass huge deficit year after year, especially after 1989.<sup>40</sup> Thus, the SAP rather than helping to revamp the economy simply fed into the existing dynamic of decline, thereby becoming an integral factor in the continuation of Nigeria's economic crisis. Cumulatively, the SAP produced considerable hardship, poverty, and discontentment across the Nigerian society. The middle class was overwhelmed by declining purchasing power and unemployment. Coping mechanisms for some workers included running their private cars as taxis to augment income after the day's work, while low income urban dwellers were driven to subsistence levels and school children had to hawk wares to supplement family incomes.<sup>41</sup>

The SAP was eventually discontinued in 1994 under the General Sani Abacha regime as part of his legitimization schemes. It was replaced with a policy

<sup>37</sup> Lewis, "From Prebendalism to Predation," 88.

<sup>38</sup> Dipo Busari and Olaniyan Olanrewaju, "Decentralisation and Education in Nigeria: Issues and Options, in *Fiscal Federalism and Nigeria's Economic Development*, ed. Aigbokhan Ben (Ibadan: Nigerian Economic Society, 1999), 516.

<sup>39</sup> Cyril Daddieh, "Education Adjustment Under Severe Recessionary Pressures: The Case of Ghana," in *Beyond Economic Liberalisation in Africa: Structural Adjustment and the Alternatives*, ed. Kidane Mengisteab and Ikubolajeh Logan (London: Zed Books, 1995), 42.

<sup>40</sup> Adedayo Oluyemi-Kusa, "The Structural Adjustment Program of the Nigerian State", in, *Structural Adjustment in West Africa*, ed. Olukoshi Adebayo, Omotayo Olaniyan and Femi Aribisala (Lagos: Pumark Publishers, NIIA, 1994), 91.

<sup>41</sup> Lewis, "From Prebendalism to Predation," 98.

of guided deregulation meant to enhance economic development by appropriate discretionary interventions from the government.<sup>42</sup> According to Kunle Amuwo, the Abacha regime actually favored a statist economic policy, but certainly not a nationalist agenda. Amuwo noted further that “this way Abacha set the tone and tenor to pocket the economy and privatize state finances.”<sup>43</sup>

### **Abacha, Neoliberalism, and the Nigerian Textile Industry**

The application of neoliberal policies in the Nigerian textile sector can be used to dramatize the government’s wholesale mortgage of indigenous industrial fortunes and their potential benefits. General Sani Abacha compounded the economic misfortunes of the Nigerian manufacturing sector by extending the frontiers of the neoliberal agenda to the textile sector with his decision to take Nigeria into the World Trade Organisation (WTO) in 1994 without providing safeguards.<sup>44</sup> The WTO agreement opened Nigerian markets to all kinds of imported goods and turned Nigeria into a dumping ground for frivolous imports. The agreement was endorsed for political reasons – personally for Abacha to garner support and sympathy from the international community, which had turned Nigeria into a pariah state and perhaps to provide patronage for his cronies. No sooner had Nigeria signed the WTO pact than Nigerian industries, including 135% textile firms began crumbling like a pack of cards.<sup>45</sup> The negative effect of unbridled importation subsequently led to a drastic decline in the contribution of the manufacturing sector to Nigeria’s GDP.<sup>46</sup> Cheap Chinese-made textiles against which Nigerian firms could not favorably compete flooded Nigerian markets. Not even the African Growth and Opportunities Act (AGOA) passed in the twilight days of Clinton’s administration in the United States could reassure them.<sup>47</sup> This unbridled importation of textiles impoverished cotton farmers and brought untold hardships on textile industry workers who were subsequently laid off because locally produced textiles could not favorably compete with Chinese textiles which were cheap.

No nation has developed without a textile industry. The textile industry was one that set Britain on a path of sustainable economic growth in the mid

<sup>42</sup> Ifamose Folasade, “The Fourth Republic Economic Reforms in Nigeria and the Millennium Development Goal One: A perspective,” *African Studies Review* 9 (June 2010): 410.

<sup>43</sup> Kunle Amuwo, “Transition as democratic regression,” in *Nigeria during the Abacha Years: 1993 – 1998: The Domestic and International Politics of Democratization*. eds. Kunle Amuwo, Daniel Bach and Yann Lebeau (Ibadan: IFRA, 2001), 5.

<sup>44</sup> *The Guardian* (Lagos), October 28, 2007, 37.

<sup>45</sup> *The Guardian* (Lagos), September 4, 2005, 16-17.

<sup>46</sup> *The Punch Editorial* (Lagos), August 2, 2006, 16.

<sup>47</sup> *The Guardian* (Lagos), September 4, 2005, 16.

nineteenth century. The textile industry uses relatively simple technology and it is an industry well suited for Nigeria with its huge population and rich cotton growing culture. Nigerian-made textiles had popularity in the export market and gained prominence in places as distant as Dakar. In the mid-1980s, the industry had about 350,000 people in over 200 mills. As of 2010, however, the Nigerian textile industries had less than 2,000 persons in their employ.<sup>48</sup> Nigeria's public enterprises were a serious drain on the national budget in the immediate post-SAP years.<sup>49</sup> Abacha did not change their fortunes in any positive way. According to Kunle Amuwo, "a predatory regime like Abacha's was characterized by a distinctive pattern of economic management, including arbitrary change, deficit financing, and capital flight. More importantly in the realm of social choice, the "rationality" of the market was vitiated by the "logic" of rent seeking."<sup>50</sup>

The Abacha regime also made attempts to implement welfare policies and programs to mitigate the adverse impact of its economic policy. A key model here was the Petroleum Trust fund meant to rehabilitate public roads, fund education, and provide critical infrastructure in the health sector. Its implementation was skewed as it mediated well in the Northern part of Nigeria with marginal presence in the Southern part. In all, it merely served to help perpetuate and legitimize Abacha's regime in Nigeria, who died in office in 1998.

In General Abdulsalami Abubakar's attempt to administer the privatization program, he affirmed in his independence speech of October 1, 1998 that "the public sector investments in the provision of services, utilities and goods have yielded little dividends."<sup>51</sup> He subsequently set up the Bureau of Public enterprises (BPE) to oversee the supervision of the sale of these public enterprises. The exercise did not gain popular support because of the command nature of the military and the incoming civilian administration of President Olusegun Obasanjo literally scrapped the Abubakar privatization program.

### **The Neoliberal Agenda of the Obasanjo Years**

By 1999, the annual Gross Domestic product (GDP) in Nigeria averaged 2.25 percent while population growth averaged 2.8 percent. This mismatch was a guarantee of mass poverty as the index was put at 67 percent, meaning no less than eighty million Nigerians were absolutely poor. The cumulative effects of years of mis-governance had translated to economic stagnation, marked by a low GDP, galloping inflation, high unemployment, falling per capita income,

<sup>48</sup> *The Punch Editorial*, (Lagos), November 22, 2010, 14.

<sup>49</sup> Gary Moser, Scot Rogers and Reinold Ventil, "Nigeria's experience with SAP," *Occasional Paper 148* (Washington. D.C. : IMF publication, March 1997), 43.

Kunle Amuwo, "Transition as Democratic Regression", in *Nigeria during the Abacha Years*, 5.

<sup>51</sup> *The News Magazine* (Lagos), March 29, 1999, 16-17.

an energy crisis, and declining industrial capacity. Thus, in 1999, Obasanjo inherited not only a fragile state and economy, but also a political economy driven cyclically by trade shocks brought about by its dependence on oil. The regime also inherited a collapsed industrial support infrastructure.<sup>52</sup> The dysfunctional state of federal utilities, which had been organizationally crippled by corruption, inefficiency, and indebtedness, with many of them not having audited accounts for many years, eventually informed Olusegun Obasanjo's adoption of neoliberal principles. Obasanjo invited the IMF and the World Bank to help provide second level quality checks for his macroeconomic policies. Specifically, he invited the International Finance Corporation (IFC), the private sector arm of the Bretton Woods institutions to advise the nation on privatization.<sup>53</sup> According to the Bureau for Public Enterprises (BPE), the IFC served as the sole adviser of the Federal Government with respect to the effective implementation of its privatization program from its inception in 1999.<sup>54</sup> However the IFC pulled out of Nigeria in early 2001. It cited the auction of Nigeria's international air traffic rights by the Nigerian government as one of the main reasons for its withdrawal.<sup>55</sup> Based on these challenges, Obasanjo justified his privatization program as an exercise that would reposition the government to concentrate resources on its core functions and responsibilities while enforcing rules and policies so that markets can work efficiently. The objective was to make the government leaner and more efficient, reduce waste and corruption, free up resources tied down by public enterprises, and improve service delivery to the people. It was hoped that privatization would introduce new capital, technical, and managerial efficiency in the privatized enterprises, thereby reviving them, creating new jobs, and adding value to the economy. A fundamental plank for implementation of the neoliberal ideology is the Public-Private Partnership, an alternative source of infrastructure financing, which is rooted in a complex but contractual relationship between government and private sector organizations. Here, the private sector makes available the social welfare services, and the government simply regulates such services and provides an enabling environment. Just as Hanson and Hentz linked the adoption

<sup>52</sup> *The Nation Newspaper* (Lagos), May 29, 2001, 36.

<sup>53</sup> *The Guardian Newspaper* (Lagos) April 6, 2002.

<sup>54</sup> Samuel Aluko, "Federal Reform Agenda and the Nigerian Economy, 1999-2007: A Critical Assessment," 2008, accessed January 23, 2013,

[http://www.nigerianmuse.com/opessays/?u=Sam\\_Aluko\\_Federal\\_Government\\_Reform\\_Agenda\\_and\\_the\\_Nigerian\\_Economy\\_1999\\_2007\\_A\\_Critical\\_Assessment.htm](http://www.nigerianmuse.com/opessays/?u=Sam_Aluko_Federal_Government_Reform_Agenda_and_the_Nigerian_Economy_1999_2007_A_Critical_Assessment.htm).

<sup>55</sup> In excerpts of a letter to Obasanjo, IFC vice president Peter Woicke said that "the opportunity for a successful near-term privatisation of Nigeria Airways has been diminished by the auctioning act," accessed April 15, 2013, <http://www.ipsnews.net/2001/05/finance-nigeria-international-finance-corporation-pulls-out-of-privatisation-venture/>.

of neoliberal policies in South Africa and Zambia to domestic dynamics within those jurisdictions, Nigeria's adoption of neoliberal principles followed the same logic because the policy obtained domestic support from the emerging middle and elite class, as they possessed the finance capital to buy into the privatized firms, with little or no support from the masses who saw it as further impoverishment.

The template for the framework of the economic reform agenda of President Obasanjo was largely influenced by the IMF and World Bank (WB).<sup>56</sup> Their core prescriptions for Nigeria were: (a) Unbundling and privatization of the state electricity company; (b) Legislation and technical assistance to promote domestic gas sector reforms; (c) Liberalization of the down stream petroleum sector; (d) Funding to address key infrastructure constraints; and (e) Legislations for bill on fiscal responsibility, procurement and the extractive industries transparency initiative. To drive this reform agenda, technocrats from these international financial institutions who had neoliberal inclinations were brought on board of President Obasanjo's economic team. They included Ngozi Okonjo Iweala, Oby Ezekwesili, and Soludo Charles who later became Governor of the Central Bank of Nigeria. Their policy agenda was encapsulated in National Economic Empowerment Development Strategy (NEEDS). The IMF and World Bank were heavily involved in funding the reform agenda. Since 2001, the World Bank has given approximately \$300 million in International Development Association (IDA) credits for reform and privatization of Nigeria's energy sector. However, the key ingredients of the International Financial Institution's policy advice meant to shape Nigeria's economic policies have so far led to a dysfunctional electricity privatization process failing to effectively provide pro-poor energy and encouraged kleptocracy in the oil sector as they helped in perpetuating the conditions that enable companies operating in the Niger Delta to maintain a monopoly over the country's natural resources.<sup>57</sup>

On privatization, Nigeria started a four-phased privatization program in July 1999. The first phase involved the sale of the government's shareholdings in a dozen of commercially viable enterprises, including banks, petroleum marketing, cement, and insurance companies. This was completed in December 2000. The second phase, which was to be completed in 2001, rather started late. One salutary impact of privatization was that all economic sectors and activities were exposed to competition and private initiative. Privatization has created a large pool of

<sup>56</sup> Obiora Chinedu Okafor, "The Precarious Place of Labour Rights and Movement in Nigeria's Dual Economic and Political Transition, 1999-2005," *Journal of African Law* 51, no. 1 (April, 2007), 77.

<sup>57</sup> Lucy Baker, "Facilitating Whose Power? The IFI Policy Influence in Nigeria's Energy sector," (2008), accessed January 22, 2013, [http://www.brettonwoodsproject.org/update/60/bwupdt60\\_ai.pdf](http://www.brettonwoodsproject.org/update/60/bwupdt60_ai.pdf).

new shareholders in Nigeria, bridging both income and geopolitical divides. It has changed the structure and depth of the Nigerian capital market and created awareness of the virtue of shared ownership as a form of savings. The program has relieved the federal government of the huge and growing burden of financing debts and deficits of public enterprises. It has in a way improved the allocative efficiency of the national economy and enhanced the volume of corporate taxes accruing in the national treasury.<sup>58</sup>

The downside of the privatization played out with the dynamics of the privatization of Nigerian Telecommunications Limited (NITEL) a key item in the second phase.<sup>59</sup> The Obasanjo regime in February 2001 successfully auctioned three Global Satellite Mobile (GSM) licenses and got expressions of interest from strategic investors in NITEL. However ten years down the line, efforts at selling NITEL had been bungled repeatedly as China Unicom, the preferred bidder, had not been able to raise sufficient funds to unbundle and revitalize it.<sup>60</sup> NITEL was hastily sold to Transcorp which rationalized NITEL staff by 70 percent, that is 7,000 of the 10,000 staff were retrenched because of the privatization exercise. Ex-President Obasanjo handed Transcorp back to the late President Yar'adua on May 27, 2007.<sup>61</sup> The Obasanjo (1999-2007) regime virtually sealed the destruction of the land telephony system in order to privatize it. In other countries, particularly the industrialized ones, the land telephony is the main communication system with the mobile telephone system serving as a subsidiary and emergency outfit to complement the land telephone system.

The mobile telephone system has taken away much revenue from Nigerians and from the economy to their providers within and outside Nigeria. The flight of capital it has occasioned is excessive and most of the employment they created is in the informal sector. By 1999, the estimated share of the urban labor force in the informal sector in Lagos, Nigeria was 50 percent, Abidjan, Cote d'Ivoire, 31 percent, Nairobi, Kenya 44 percent and Tunis, Tunisia 34 percent. Nigeria had the highest figure.<sup>62</sup> Under Obasanjo, the informal sector thrived and witnessed real explosion in the mid-2000s as an enormous proportion of Nigeria's population was

<sup>58</sup> Zayyad, H.R, "Privatization and Commercialization in Nigeria," accessed January 22, 2013, [http://wiki.projectszo.com/projectswiki/images/3/39/Privatisation\\_and\\_commercialisation\\_in\\_Nigeria.pdf](http://wiki.projectszo.com/projectswiki/images/3/39/Privatisation_and_commercialisation_in_Nigeria.pdf).

<sup>59</sup> OECD, *African Economic Outlook: 2001-2002*, African Development Bank, Development Centre for the Organization of Economic Cooperation and Development, France, 2002, 230.

<sup>60</sup> *Nigerian Tribune Editorial* (Ibadan), February 24, 2010.

<sup>61</sup> Akinpelu Olutayo and Ayokunle Omobowale, "Public Service Reforms and the Nigerian Telecommunications (NITEL) PLC," *Development and Society* 40, no. 2 (December, 2011): 340.

<sup>62</sup> Michael Todaro, "Urbanization, Unemployment and Migration in Africa; Theory and Policy" in *Renewing Social and Economic Programs in Africa*, ed Dharaim Ghai (London: Macmillan Press, 2003), 69.

employed in this sector. This was parallel to the development of the crisis and the implementation of the SAP that led to massive layoffs. The share of people in the informal economy in Nigeria is one of the highest in Africa and represented nearly 75 percent of non-oil GNP in 2003. This is a typical indicator of poverty<sup>63</sup>. The world development indicator also gives credence to this assertion as employment-to-population ratio in Nigeria fell from 52 percent in 1991 to 51 percent in 2007, and the population below global poverty line remained at an all-time high of 86.4 percent.<sup>64</sup>

Nigeria entered the third phase of privatization in 2004 by privatizing nineteen enterprises. In 2005, it entered the fourth phase under Irene Chigbue, privatizing forty six enterprises and thirty eight others in 2006. In the fourth phase, major utilities such as the Power Holding Company of Nigeria (PHCN) was unbundled into seventeen successor companies and established the National Electricity Regulation Commission (NERC), which set the framework and paved the way for the privatization of the electricity sector.<sup>65</sup> Up to 2005, about N225 billion of taxpayers' funds were pumped into the power sector to revive it alongside the unbundling program<sup>66</sup>. The result however is that the reforms in the power sector have not translated into any meaningful changes. Power supplies remained epileptic as no conscious attempts were made to build new power generation and transmission plants. This development has had adverse effects on the manufacturing sector and small scale businesses where production cost is high thereby making finished goods uncompetitive with their imported counterparts. Another fall out of the spasmodic nature of the public power supply in Nigeria is the job loss in the manufacturing sector. This has been massive given the exorbitant production costs. In addition, considering the huge population trapped in the informal sector, a substantial number of these artisans depend on electricity to run their businesses. With frequent power outages, and the hike in power tariffs by President Goodluck Jonathan (from N8.00 to N40.00 per kilowatt)<sup>67</sup> the challenges of the masses is further compounded, and they are left jobless. A substantial number have resorted to criminal activities in the nation. This explains in part why arson, kidnapping, and other criminal activities and social vices are thriving in the Niger Delta region and other parts of the Nigerian state.

It is also important to note that the Obasanjo regime's inability to handle

<sup>63</sup> Danielle Obono, "Workers and Popular Masses in Nigeria" (paper presented at the Conference of African alternatives: Initiative and Creativity Beyond Current Constraints, Leiden, Netherlands, July 11-14, 2007), 2.

<sup>64</sup> World Bank, *World Development Indicators* (Washington, D.C.: World Bank, April, 2009), 37

<sup>65</sup> *TELL Magazine* (Lagos) May, 2007, 7

<sup>66</sup> *TELL Magazine* (Lagos), June 26, 2006, 50.

<sup>67</sup> *Nigerian Tribune*, (Ibadan), July 1, 2011, 1.

problems in the power sector defeated its initiative of an export substitution policy in Nigeria.<sup>68</sup> In fact, the import substitution industries (ISI) policy is the preferred model for development in advanced economies as it encourages local production instead of the importation of essential products. In terms of economic performance, the structural transformation of Nigeria has been slow in the area of privatization. Privatization itself has not worked well because of bad governance, corruption, non-tariff barriers, and an inadequate regulatory framework.<sup>69</sup>

In his last days in office President Obasanjo, sold the Kaduna and Port Harcourt refineries valued at \$800 billion in May 2007 for a paltry \$500 million to Blue Star Oil Service Limited, a consortium close to him.<sup>70</sup> In addition, Eleme Petrochemicals Plant in Port Harcourt, the largest of its kind in Africa was sold for \$225 million, an amount not even worth its spare parts. The unfortunate aspect is that the Nigerian government was supposed to maintain a minimum share of 49 percent. However, Indorama, the buyer was given a 75 percent equity stake in Eleme. The same occurred with the sale of Egbin Power Station, (the largest generating station operated by Power Holding Corporation of Nigeria) which was also grossly underpriced and sold off at a paltry N280 million or \$2 million.<sup>71</sup>

Interestingly, the Nigerian Senate committee investigating the privatization of public enterprises since 1999 came up with appalling revelations about the Obasanjo regime. The committee discovered, through its public hearing that the regime sold the Aluminum Smelting Company of Nigeria built at the cost of \$3.2 billion to Russal, a Russian firm at the cost of \$250 million. Only \$130 million of the said \$250 million has been paid, leaving a balance of \$120 million, which was supposed to be used to dredge the Imo River as stated in the share purchase agreement. Six years after the sale, the dredging is yet to begin and the government has not been paid the balance of the money. In addition, no one has queried Russal for failing to fulfill its obligations. Even if the cost of building the smelter was inflated through the procurement process, there is no justifiable reason why an asset worth \$3.2 billion should be sold for \$250 million.<sup>72</sup>

Delta Steel Company Limited presents another dimension of the fraud and irregularities involved in the sale of Nigeria's public enterprises under the Obasanjo regime. Global Steel Infrastructure Limited, a company that did not participate in the bidding process, except that it submitted an expression of

<sup>68</sup> *TELL Magazine* (Lagos), May 2007, 6.

<sup>69</sup> Cyril Nweze, *CBN Magazine* (Lagos), November 2001, 47.

<sup>70</sup> Baker, "Facilitating whose Power?"

<sup>71</sup> *Ibid.*

<sup>72</sup> Odey Adiza, "Privatization of Public Enterprises and Productivity: Nigeria's Dilemma," *Journal of Emerging Trends in Economics and Management Sciences* 2, no. 6 (2011): 493-494.

interest, was declared the winner. BUA, which did the follow up with a technical bid, did not get the benefit of the bid. The then Director General of the BPE, Julius Bala rationalized this untoward act with the assertion that “there is a difference between ‘the winner of a bid’ and ‘the preferred winner’ as there is the need for approval from council.”<sup>73</sup> To compound matters, Delta Steel was valued by BPE at N225 billion but was sold for a paltry N 4.5 billion. These privatized enterprises have not added any meaningful value to the state and people of Nigeria.

A total sum of N146.6 billion earned from the privatization process has been remitted to the coffers of the Nigerian government since 1999. This is a paltry sum considering that investments by the government in these enterprises run into trillions of naira. The assets of the privatized enterprises were deliberately undervalued, as rules and regulations governing the due process were subverted, and this has allowed corruption to fester. Those who withstand the worst of the government’s ineptitude now are the masses in the Nigerian state.<sup>74</sup>

### **Neoliberalism and Constitutionalism**

The Nigerian state embraced planned and balanced economic development before 1985. Systematic development plans were made. Planning of the Nigerian economy ceased when the Babangida regime introduced the IMF and World Bank imposed SAPs in 1986. However, poor economic planning has been more greatly accentuated since 1999, through the deregulation, privatization, and downsizing of the public service and general reform agenda of the Obasanjo regime, all encapsulated in his National Economic Empowerment Development Strategy (NEEDS).<sup>75</sup> The economic philosophy of the government was hinged on the fact that the “market” has violated the Nigerian constitution, not only by abdicating the control of the major sectors of the Nigerian economy, but also by offering Nigeria for sale to domestic and foreign private interests. By 2006, the government had divested from 116 enterprises.<sup>76</sup> President Obasanjo’s government’s economic philosophy was premised on the mistaken assumption that, for the federal government to govern efficiently, it had to concentrate solely on governance. It neglected the fact that a government that cannot manage an industry successfully cannot govern efficiently.<sup>77</sup>

Part of the fallout of the privatization program which has been unpopular with the Nigerian citizenry include the reversal of pension benefits of public

<sup>73</sup> *Punch*, (Lagos), August 17, 2011, 45

<sup>74</sup> *Ibid.*

<sup>75</sup> Folasade, “The Fourth Republic Economic Reforms in Nigeria,” 410.

<sup>76</sup> *The Nation* (Lagos), May 29, 2009, 86.

<sup>77</sup> Aluko, “Federal Reform Agenda and the Nigerian Economy.”

servants under the Pension Reform Act of 2004 and the deduction from their monthly wages for pension. Equally appalling are the non-payment of pensions and gratuities, the non-creation of employment opportunities and the non-payment of unemployment benefits to those forced into unemployment.<sup>78</sup> These are violations of Article 16, section 2(d) of the Nigerian Constitution.<sup>79</sup> The imposition of a contributory pension scheme on public servants in the name of pension reform is a violation of Article 173 of the Constitution, which seeks to protect the existing pension rights of public servants.<sup>80</sup> In the words of Lai Olurode, when pension rights are not guaranteed, individuals exercise no scruples at engaging in corrupt behavior in order to make ends meet. Thus, the denial of pension rights has further deepened the challenge of endemic corruption prevalent in Nigeria

The neoliberal agenda of the Obasanjo regime also went against the spirit and tenets of the Constitution on issues of educational objectives of the country. Article 18, section 3 of the 1999 Constitution provides that government shall strive to eradicate illiteracy and to this end, government shall, as and when practicable, provide, free compulsory and universal primary education, free secondary education, free university education and free adult literacy program.<sup>81</sup> However, the government worked at cross purposes by introducing public-private partnership (PPP) administration in unity schools (public schools). Fees were consequently introduced in primary and secondary schools and, very exorbitant fees in tertiary institutions alongside private universities. While the introduction of fees progressively were reduced, budgetary allocation for education fell from 11.2 percent in 1999 to 1.8 percent in 2003, all against UNESCO's recommendation of 26 percent for developing countries. Budgetary shortfalls undermined productivity of Nigerian intellectuals, starved knowledge institutions of vital resources for research, and adversely affected the quality of teaching and learning. Cumulatively, it has led to the peripheralization for the country's intellectual community as an aspect of the general strategy of strengthening neocolonial imperialism in Nigeria. Furthermore, it has created a knowledge weak Nigerian state in a century that is knowledge driven.<sup>82</sup> Overall, the cumulative impact of all these actions and inactions of government are that education at all levels is now becoming increasingly less and less available to a decreasing percentage of the Nigerian population, further deepening the impoverishment of not just the people

<sup>78</sup> *The Guardian* (Lagos), November 14, 2006, 57.

<sup>79</sup> Republic of Nigeria, *The 1999 Constitution of Federal Republic of Nigeria* (Lagos Printer, 1999), 11.

<sup>80</sup> *Ibid.*, 69.

<sup>81</sup> *Ibid.*, 13.

<sup>82</sup> Okpeh Okpeh, "Neoliberal Reforms, the Nigerian University System and the Challenges of the 21<sup>st</sup> century," in *Quill Pen*, vol. 6 (Ibadan: Recard Publisher, 2007), 52-53.

but also the nation as a whole. Thus, Nigeria stands the risk of being delinked from the gains and prospects of an increasingly globalized and competitive world.

### **Retrenchment in the Public Sector and Precarization of Labor**

From the outset, a central thrust of neoliberal policies was wage and social austerity for workers to restore the profitability of capitalist firms and the capacity of the state to assist in economic restructuring.<sup>83</sup> In line with this thinking, since the inception of the Obasanjo regime in 1999, about 4.8 million Nigerians in the civil service, statutory corporations, state owned companies, in the banks, and insurance companies have been retrenched through the reform agenda of re-engineering the public sector of the economy and minimizing the economic role of government. It has continued to place emphasis on the private sector as the engine of growth of the Nigerian economy, whereas the private sector in Nigeria is very weak and depends on the public sector for its survival and continued growth. Given the warped reform policy, the downsizing of the public sector has consequently led to the downsizing of the private sector, because the economic managers in government do not appreciate that a decelerating public sector also leads to a decelerating private sector, and vice versa. All sensible reformers in history have increased rather than reduced employment quantum in very significant manner. Neoliberalism, market fundamentalism, privatization, commercialization, and minimization of the role of the government in the economy do not collectively offer effective results for reducing poverty, because they do not sufficiently build or rebuild human capital. The type of privatization pursued by the successive Nigerian regimes has allowed cronyism, the plundering of national assets for the benefit of the few in the elite class.<sup>84</sup> The policy model itself offers very little and warrants little or no support as a sufficient economic policy directive for serious people-oriented policies. It does not address nor promote equitable income distribution, or a decent economic and social environment. The regime overlooked the political and social context of the malfunctioning public service. The reforms do not address substantive issues of equity and social justice in light of the distributive consequences of the restructuring. Consequently, the mere change of ownership from public to private has not guaranteed change in productivity and efficiency. This is besides the question of corruption and institutional crisis, which may equally bedevil a private company. In fact, several private firms have not performed much better than public companies in Nigeria<sup>85</sup>

<sup>83</sup> Gregory Albo, "The Crisis of Neoliberalism and the Impasse of the Union Movement," *Development Dialogue*, 5 (January 2009):119-132.

<sup>84</sup> Folasade, "The Fourth Republic Economic Reforms in Nigeria," 411.

<sup>85</sup> David Adeyemo, Adeleke Salami, Lanre Adeyemi, "An Appraisal of Economic Reforms in Nigeria," *Contemporary Management Research*, 4, no. 2 (June 2008): 129.

Most of the resources derived from privatizing public enterprises, for instance, has not been directed toward building human capital through education and training, to stimulate productivity in the economy. Retrenchment of workers with productive application of revenue further depressed the economy. In an ideal situation, new competent workers would be employed and that would stimulate the economy. Downsizing of the public sector has negative multiplier effects. Retrenchment leads to reduced consumer demand, which reduces the propensity to produce, and in turn leads to a reduction in the rate of growth of the gross domestic product. It is a suicidal economic policy.

Nigeria's adoption of the New Economic Partnership for Development (NEPAD), which is based on some classic pillars of neoliberal economic policies, helps to dramatize the negative impact of privatization, using the activities of South African firms in Nigeria as a case study.<sup>86</sup> NEPAD was adopted by African states in October 2001 with the objective of regenerating and integrating African economies.<sup>87</sup> Under Obasanjo's regime, then South African President Thabo Mbeki surreptitiously used NEPAD as a platform to open up Nigeria's economy to South African investments and exports. The implications of this South African penetration have been inimical to the robust growth of the Nigerian economy. Joseph Stiglitz, a renowned economist and Nobel Prize winner, affirmed that neither theory nor economic evidence supports the claim that opening up your market can assure robust economic growth.<sup>88</sup> A case in point is the Nigerian telecommunication sector where the South African firm, MTN is about the biggest player. MTN obtained its operating license in Nigeria in 2001 after paying over \$285 million as license fee and another \$1 billion to set up operations. In 2004 alone, MTN recorded an after tax profit of over \$2.4 billion in Nigeria.<sup>89</sup> This amounts to over profiteering and massive exploitation of Nigerians who are the subscribers.

A number of South African companies have also entered the fast food business in Nigeria, controlling almost 50 percent of the international fast food franchises in Nigeria. They are also making huge profits. In the media and entertainment industry in Nigeria, a South African company such as DSTV accounts for 80

<sup>86</sup> Aluko Olokun, *The AU and NEPAD in Foreign Policy in Nigeria's Democratic Transition* (Abuja: Presidential Advisory Council on International Relations, 2005), 152-154.

<sup>87</sup> Adeolu Durotoye, "The Politics of Globalisation" in *Topics and Issues in International Relations*, ed. Adegbulu Femi (Ogun: Babcock University Press, 2011), 131.

<sup>88</sup> Joseph Stiglitz, *Globalization and its Discontents*. (New York: Norton, 2002), 21. See also Kurt Bayer, "Neoliberalism and Development Policy: Dogma or Progress," *Development Dialogue* 51 (January 2009): 89-102.

<sup>89</sup> Shawn Hattingh, *South Africa's Role in Nigeria and the Nigerian Elections*, International Labor Research and Information Group, Cape Town South, 2010, accessed February 25, 2012, <http://mrzine.monthlyreview.org/2007/hattingh260607.html>, 5.

percent of the viewers that watch satellite television in Nigeria.<sup>90</sup> Despite all these investments by South Africa in Nigeria, the people of Nigeria have not benefitted much. This is partly because South African corporations operating in Nigeria are allowed to repatriate the profits they make out of Nigeria. The majority of South African firms in Nigeria also source most of the products that they use or sell in Nigeria through South Africa and not locally, negating the creation of upstream or downstream industries in Nigeria. South African companies operating in Nigeria have also created very few jobs. The few they have created have tended to be casual. Though not peculiar to South African companies, many Nigerians who work in South African owned firms have been denied the right to join trade unions. For example, MTN has only about 500 permanent jobs.<sup>91</sup> Most of its employees are casual or temporary workers.

### Conclusion

Nigeria's National Development Plans between 1962 and 1980 emphasized the central role of the government in economic planning. This ensured progressive development and stability of the economy and society. Military intervention truncated the entire process as it progressively eclipsed public provision of social welfare services, substituted it with ad-hoc welfare structures to legitimize and perpetuate successive military rules, setting in motion the wholesale marketization of social welfare services. The neoliberal orthodoxy was perpetuated paradoxically by subsequent democratic regimes without the consent of the citizens. The civil regimes privatized the state and substituted public good as private good, overlooking the fact that governance is a social contract in which the individual abrogates some of his rights to the state and in return enjoys some social benefits, which fundamentally include protection of life, human dignity, and social welfare. The neglect of the welfare of the citizenry has contributed immensely to the crisis of development. More importantly, the proponents of neoliberal policies have confessed that they did not consider the African or Asian economic scenes when they propounded their economic manifesto, believing same to be valid for all places and at all times. The proponents also admit that liberalization does not necessarily imply a swing to market fundamentalism and a minimalist role for government.<sup>92</sup> For instance, the sponsors of the Bretton Woods institutions ensure that neoliberalism coexists with strong protectionism and a desire to heavily subsidize some markets in the United States.<sup>93</sup> Neoliberalism has promoted

<sup>90</sup> Hattingh, "South Africa's Role in Nigeria and the Nigerian Elections."

<sup>91</sup> Hattingh, "South Africa's Role in Nigeria and the Nigerian Elections." See also *The Punch* (Lagos), April 7, 2012.

<sup>92</sup> Aluko, "Federal Reform Agenda and the Nigerian Economy."

<sup>93</sup> Harrison, "Economic Faith, Social Project," 1305.

various lock-in mechanisms to insulate economic policy from democratic rule and popular accountability. This has encouraged capital flight, authoritarianism, corruption, the mushrooming of the informal sector, coupled with unprecedented casualization and precarization of labor. All of these have cumulatively deepened poverty and crime in Nigeria, thus undermining the very essence of a democratic state which ought to uphold social rights.

Rather than stick to the principles outlined by the Bretton Woods institutions, a new economic policy should be employed that more adequately reflects the goals of development and enhances the chances of local rather than foreign ownership of the means of production for more rapid and equitable economic growth. The government must practice home-grown development policies that fulfil the developmental aspirations of the masses. Under the reign of neoliberalism in Nigeria, capital and wealth have been largely distributed upwards, while civic virtues have been undermined by a mindless celebration of the free market as the model for organizing all facets of everyday life. Under attack is the social contract with its emphasis on enlarging the public good and expanding social provisions such as access to adequate health care, housing, employment, public transportation, and education, all of which provided both safety nets and a set of conditions upon which democracy could be experienced and critical citizenship engaged.<sup>94</sup>

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### **Notes on Contributor**

Dr. Victor Olumide Ekanade is a Senior lecturer in the department of History and International Relations, Redeemer's University, Nigeria. His research interests include international relations, economic history, and comparative fiscal studies. He has several publications in learned journals. His latest articles have appeared in *Journal of Global Initiatives*, *Africana: A Journal of Ideas on Africa and African Diaspora* and *International Journal of African Renaissance Studies*.

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<sup>94</sup> Henry Giroux, "The Terror of Neoliberalism and Rethinking the Significance of Cultural Politics," *College Literature* 32, no. 1 (2005): 1-19.