Of Economic Masquerades and Vulgar Economy: A Critique of the Structural Adjustment Program in Nigeria

A. O. Adeoye*

Résumé: *Dans cet article, l'auteur estime qu'au Nigéria, les hypothèses sur lesquelles le programme d'ajustement structurel est fondé sont vulgaires, superficielles, déroutantes, fausses et particulièrement inappropriées. Concrètement, les gains suivants sont prévus: une augmentation de la productivité dans l'agriculture, une plus grande auto-suffisance, des gains plus importants de nairas, un rééchelonnement de la dette, une promotion des exportations, une plus grande efficacité dans l'allocation des ressources et une discipline financière. Cependant, après trois ans d'application, les seuls résultats visibles sont la détérioration de l'économie. Le programme d'ajustement structurel a échoué parce qu'il n'a mis l'accent que sur le superficiel à savoir les forces du marché, la dévaluation et la libéralisation du commerce et a ignoré les problèmes structurels de l'économie. En réalité, le programme d'ajustement structurel est un programme capitaliste bien emballé et exécuté par la bourgeoisie pour recoloniser la formation sociale nigériane. Il est par conséquent important d'essayer une stratégie alternative pour laquelle il faudra avant tout abroger le programme d'ajustement structurel. Ce nouveau programme appliquera la planification à la base et aura pour objectif de restructurer fondamentalement la propriété et les rapports de force. En outre, le taux d'échange du naira doit être revu et le taux du service de la dette extérieure fixé à un minimum de 10%.*

The Promises of the Structural Adjustment Program

Experts in the field of economic theory have told us that cyclical crises are intrinsic to the capitalist mode of production and that such a conjunctural crisis in world capitalism became noticeable in the 1970's and 1980's. This cycle reached acute proportions between 1980 and 1983 when all capitalist countries without exception were afflicted by a deep depression. Whenever they occur, such crises are usually transmitted to the so called Third World or less developed countries (LDCs) because of the extraverted nature of their economies[1].

The Nigerian economy was not insulated from the aforementioned crisis in world capitalism, it being a dependent capitalist formation. The socio-

* Department of History, Bendel State University, Nigeria

1 Eskor Toyo, "Recovery from Economic Decline: Lessons for a Developing Economy", *Africa Development* XII, 3, 1987, contains an excellent review of the literature.

economic indicators point to fundamental external and internal disequilibria: foreign indebtedness, high rate of inflation, increasing capacity under utilisation in the industrial sector, declining agricultural productivity and growing food dependency reflected by the rapid increase in food import, worsening economic welfare conditions of the masses, rapid decline of the rate of growth of the GDP, etc[2]. The intensification of the crisis in the early 80's was reflected at the level of the political 'instance' by the frequent violent regime changes[3].

Successive governments responded to the situation in varying ways. However, the manner in which they did it did not fundamentally alter the character of the state capitalist model of accumulation that dominated the post civil war Nigerian development process into the 1980's in which the state assumed a 'controlling' role in the accumulation process[4]. The profligacy of the second republic hastened the process of economic collapse and in April 1983, the Shagari government applied for an International Monetary Fund (IMF) extended fund facility. The successor Buhari military regime equivocated and prevaricated on the question of whether to take the loan and implement the conditionalities until it was overthrown by the Babangida coup of August 1985 which installed the present administration[5].

We may note in passing that the concept of a Structural Adjustment Program (SAP) entered the vocabulary of the nations political economy since the Shagari administration first applied for the loan. He had earlier (in April, 1982) got the National Assembly to enact the Economic Stabilisation Act in which certain IMF-style measures were taken[6]. Although the Buhari regime initiated negotiations with the IMF and implemented some of its conditionalities, it refused to accept the concept of devaluation, and vigorously pursued 'counter-trade'. For these two reasons, the talks got

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2 The origin, nature and character of the Nigerian Economic crisis is provided in A. Abéba et al, *The Nigerian economic Crisis: Causes and Solutions*, Zaria, 1985; A. Oyejide et al, *Nigeria and the IMF*, Heinemann, Ibadan, 1985, chapter 5.

3 The economic factor was the *raison d'être* for the coups of 1983, 1985 and the failed coup of 1986.

4 For details, see B.U. Ekuerhare, "Recent Pattern of Accumulation in the Nigerian Economy", *Africa Development*, IX, 1, 1984; Idem, *Privatisation and Accumulation Process in the Nigerian Economy*, (commissioned paper presented at the Nigerian Economic Society national seminar on 'Privatisation of Public Enterprises in Nigeria', Nigerian Institute of International Affairs (NIIA), Lagos, Thursday, 4th February, 1988.

5 A bird's eye view of the policy reaction of successive governments to the crisis is provided in B.U. Ekuerhare, *Nigerian Economic Crisis and Economic Policy Profiles*, (lecture delivered to the Nigerian Economics Students Association, Bendel State University Chapter, Ekopma, May 23, 1988.

6 Reference here is to the economic stabilization Temporary Provisions Act of 1987. The first order was issued in January 1983 and this banned several categories of imports and raised the tariff on others.

stalled. Meanwhile, the imperialists had tightened the noose on the country as all credit lines for Nigerian imports were shut. They also insisted on an IMF supervised SAP before any concessions could be made. The economic crisis intensified and the regime collapsed soon after under the pressure of imperialism. On assuming office, Babangida promised to break the deadlock. Those who interpreted this to mean a vote for the IMF loan were soon proved right. But the way and manner the regime was able to mask its true intentions and carry the people along by first sponsoring a national debate on the desirability of the loan and thereafter parading the SAP as a home made alternative to and *ipso facto* distinct from the rejected IMF package is one of the masquerading elements to which we shall return later[7].

In the event, therefore, the SAP represented the regime's policy response to the deepening economic crisis. It was packaged in the tense atmosphere of the economic emergency declared in October 1985, and delivered in the budget of 1986 and the President's special address to the nation on June 26, 1986[8]. The subsequent budgets of 1987, 1988 and 1989 can appropriately be called the SAP budgets as they address the specific projects envisioned. As presented in the June 1986 address, the SAP was programd to commence in July of that year and run till end June 1988. But the indications now are that the terminal date has been postponed indefinitely. The key objectives of the SAP are: (1) to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports; (2) to achieve fiscal and balance of payment viability over the period; (3) to lay the basis for a sustainable non-inflationary or minimal inflationary growth; (4) to lessen the dominance of unproductive investments in the public sector, improve the sectors efficiency and intensify the growth potential of the private sector[9].

The policy package to achieve these are an admixture of (a) demand - management policies (monetary and fiscal) meant to reduce the 'excess'

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7 The desirability or otherwise of Nigeria obtaining the loan was thrown open for national debate by the new regime and a monitoring committee was set up. The loan was overwhelmingly rejected as contained in a presidential broadcast to the nation on December 12, 1985. Full text of this is found in *Business Times* (Lagos) December 16, 1985, p. 13. The debate is summarised in A. Oyejide, op. cit. chapter 4. The debate was one of the earliest populist measures taken by the regime to seduce the people and enhance its legitimacy.

8 Full text of the address which formally introduced the SAP is found in *The Nigerian Tribune*, Monday, June 30, 1986, p. 5. But see also the SAP document, Federal Republic of Nigeria, *Structural Adjustment Program, July 1986 - June 1988*, Government Printer, Lagos, 1986.

9 Ibid.

liquidity in the economy; (b) expenditure switching policies to discourage imports and promote exports[10]. The following policy matrix stand out:

- substantial devaluation of the Naira through the Second-tier Foreign Exchange Market (SFEM)[11] in a bid to find a 'realistic' exchange rate for the 'overvalued' national currency;
- drastic cuts in government spending and the rationalisation of the public sector through privatisation and commercialisation of public enterprises, removal of subsidies on products and government services, reduced government capital allocations and retrenchment;
- trade liberalisation;
- deregulation of the Economy through reduction of administrative controls and greater reliance on market forces in the allocation of national resources;
- tariff reform to promote industrial diversification;
- credit squeeze and increased taxation to improve governments revenue base;
- the seduction of foreign capital investment through debt rescheduling, servicing and tax reliefs[12]. These measures were expected to lead to the attainment of the national goal of "economic recovery, social justice and self-reliance" enunciated in the SAP budgets of 1986 and 1987 and the SAP statement of June 1986. Laudable objectives these are. Any wonder then that the designers and implementors of the SAP strategy gleefully paraded the program as being fully 'autonomist' in deviation?

Theoretical Adequacy

But it has since been established that its prognostications were founded on the logic of the requirements of international finance capital controlled by the IMF and the World Bank (WB). It has roots in the ideological and theoretical position of these agencies. To understand the theoretical basis of the SAP strategy, one must first understand what can be called the IMF/WB paradigm founded on classical/neo-classical economic liberalism. We may restrict ourselves to one of the clearest statements on this - the 1981 WB

10 F.O. Egwaikhide, *The Structural Adjustment Program in Nigeria: A Critique* (mimeo. Nigerian Institute for Social and Economic Research - NISER - Ibadan, 1988, now forthcoming in *Ife Social Science Review*) pp. 13-14.

11 The Second-tier FOREX structure gave way to one FEM in July 1987 when the two windows were merged.

12 In addition to the SAP Bible already referred to, see also Chief Olu Falae, *Two Years of SAP in Nigeria: Achievements, Problems and Prospects* (paper read at the International Symposium on Development Strategies for 3rd World Countries, Bejing, China, April 18-21, 1989, excerpts in *The Punch* May 23, 1989. Chief Olu Falae, then Secretary to the Federal Military Government and now the Minister for cabinet Affairs, is one of the leading apostles of this controversial SAP strategy.

report on its study of the capitalist crisis in sub-Saharan Africa titled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action.* Also called the *Berg Report* (after its author), it ascribed the economic crisis to government policies that are biased against agriculture, exports, free trade and private enterprises. Why and how this came to be was not worthy of explanation. Nevertheless based on this diagnosis, the report recommended *inter alia* the stimulation of agricultural exports, reduction of governments direct economic role and relaxation of state control of the economy, the elimination of impediments to free external trade and payments, the encouragement of domestic and foreign private investors notably the Transnational Corporations (TNCs), etc. Central to these monetarist prescriptions was the assumption that the invisible hand of the market would ensure the greatest good for society[13].

Nigeria's SAP package is a rehash of these standard prescriptions. Yet the IMF/WB paradigm does not distinguish between developed and underdeveloped economies when offering these 'palliatives', even when these were derived from the experience of the former. It is as clear as day light that the IMF/WB paradigm was born with an 'original sin' which continues to afflict it: it was abstracted from and designed for industrialised economies, not the underdeveloped ones. It is only in this sense we can appreciate the short term nature of its prescriptions which are meant to restore equilibrium to a developed economy undergoing a period of stress. So also the primacy accorded the 'free market', trade liberalisation and other measures, as dealings between more or less equal partners in a perfect market situation was assumed. Hence the measures are more relevant to the developed economies. When applied to the peripheral formations, these self same measures can only amount to wrong medicine: remedies for other diseases. This explains the self-contradictory nature of the conditionality reforms in those social formations and their congenital inability to provide an escape route from depression or lead to recovery.

The Nigerian economic crisis was the direct outcome of the dependent character of the accumulation process that dominated her political economy. The IMF-style SAP strategy tends to ignore this fundamental fact - of the reality of the extraverted and dependent nature of the accumulation process. The dependent production and reproduction patterns imposed constraints on

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13 The Berg Report is taken from J. Ohiorbenuan, "Recolonising Nigerian Industry: the First Year of the Structural Adjustment Program" in A.O. Philips and E.C. Ndekwu (eds.), *Structural Adjustment in a Developing Economy: The Case of Nigeria*, NISER, Ibadan, 1987. For more on the IMF/WB Paradigm, see Eskor Toyo, op. cit. pp. 37-38; *Development Dialogue* No. 2, 1980, special issue on "The International Monetary System and the New International Order", and *IDS Bulletin* vol. 13, No. 1, 1981 special issue on "Monetarism and the Third World".

the supply side, hence the low productivity of the economy, especially the low level of capital formation. The specific characteristics of this accumulation process such as the preeminent role of the state as the agent of capitalist accumulation, the weakness of the material base of the indigenous private capitalists, the dominance of the economy by foreign private capitalist interests as represented by the TNCs, the dominance in both cases of commercial over industrial capital. The dominance of primary export as chief FOREX earner, all have roots in the nation's economic history and were and continue to be at the heart of the crisis.

All these have important theoretical implications which can only be presented here in summary form:

- the dependency syndrome[14], the dominance of production, distribution and exchange processes by TNCs, the preoccupation with primary export production as engine of growth, reveal clearly that we are dealing with a relationship between unequal agents under grossly imperfect conditions. Consequently, the central role accorded 'free market forces', trade liberalisation and the like in the SAP strategy becomes illogical, meaningless and absurd. Besides it has also been theoretically recognised that markets must be regulated to be of social utility since the 'invisible hand' may not provide an effective resource allocative machinery for maximum welfare in an economy, or between priority sectors and sectors which may not be of priority to the national economy[15].
- the SAP's 'recovery' measures are uncomfortably anchored on a short term view of the crisis as evident from its demand management, short term Keynesian solutions. That SAP was projected to last for two years reflected a lack of appreciation of the magnitude of the problem. This short sightedness has yielded *ad hoc* policies aimed at the symptoms, instead of long-term structuralist ones aimed at the roots of the problem, and it explains the persistence of internal and external disequilibria.

14 On the dependency syndrome and its constraints to development, see Theotonio Dos Santos, "The Structure of Dependence", *American Economic Review*, LX, 2, 1970; I. Wallerstein, "The Three Stages of Africa's Involvement in the World Economy" in P. Gutkind and I. Wallerstein (eds.). *The Political Economy of Contemporary Africa*, Beverly Hills, London, 1973. The mechanics of imperialist exploitation of the peripheral formations are discussed in D.W. Nabudere, *The Political Economy of Imperialism*, Zed Press, London, 1977, especially section 4, and 5; B. Onimode *et al*, *Multinational Corporations in Nigeria*, Les Shyraden Nigeria Limited, Ibadan, 1983. The class dimension is specifically addressed in B. Onimode, *Imperialism and Underdevelopment in Nigeria: The Dialectics of Mass Poverty*, Zed Press, London, 1982. Also of interest is J. Ohiorhenuan, *State Failure, Market Failure and Nigerian Industrialisation*, (Department of Economics seminar paper, University of Ibadan, January 1989).

15 E. C. Ndekwu, "Theoretical Holes in SAP", *The Punch*, March 24, 1987, p. 5.

- reduction in government spending or drastic whittling down of government presence is definitely illogical. In the special circumstances of the LDCs, government is the prime mover of the economy. Government is the major employer of labour. Therefore its expenditure is crucial for the promotion of private spending. It is also an indispensable source of investible funds. The implementation of the policy of less government in economic affairs inevitably leads to loss of jobs, reduction in incomes and general economic depression. Privatisation, debt- equity swap and the like are a direct invitation to foreign capital judging by the weak nature of local private capital. The advocacy of minimal governmental presence can only further entrench foreign capitalist domination of her economy.

The verdict we return to therefore is that the key premises and assumptions upon which the SAP strategy is founded are banal, superficial, misguided and false. The theory of the SAP is grossly inadequate for Nigeria, and if pursued, the goal of economic recovery, social justice and self-reliance will continue to elude the nation.

Empirical Validity

Our fear seems confirmed by the empirical evidence and it dramatically illustrates the futility of applying the wrong medicine to an ailment. But it is true, of course, that government and its agents have been celebrating the alleged 'gains' of the SAP- in utter disregard for the stark realities. The following are the supposed 'gains' of the SAP:

- increased productivity in agriculture, rise in rural income owing to the devaluation - induced rise in producer prices, rise in rural employment, etc.;
- increased self-reliance through reduction in food and consumer goods imports and use of local substitutes;
- local sourcing by industries inducing backward linkages, especially in the agricultural sector, growth of artisan technology, inculcation of maintenance culture, etc.;
- enhanced Naira earnings for government due to the massive depreciation of the Naira;
- the seduction of foreign investment through debt rescheduling, attraction of fresh loans, etc.;
- export promotion of both agricultural and non agricultural goods thereby diversifying foreign exchange (FOREX) earnings;
- increased efficiency by all and sundry in the allocation of resources, financial discipline, etc. The 1989 budget listed 10 of such gains

which were given lavish treatment[16]. But the 1990 budget admitted that 3 years after SAP, the economy deteriorated in 1989 in 8 major areas, namely;

- severe inflationary pressures were experienced;
- high lending rates hindered investment;
- high transport cost;
- decline in the rate of growth of the GDP;
- decline in industrial capacity utilisation; (6) marked depreciation of the Naira;
- disturbing rate of unemployment; increased debt burden, which makes one to wonder when government and its functionaries still talk about the 'gains' of SAP - what really are these gains, and from whose point of view? Do they reveal a fundamental restructuring of the extraverted character of the accumulation process or a movement away from dependent capitalism for something qualitatively different? Are they bringing us closer to the goal of economic recovery, social justice and self-reliance? To answer these questions we shall now examine the impact of the SAP medicine on the economy and society. In doing this, only broad tendencies will be indicated. The references provided will guide the reader to additional information.

Agriculture[17]

The stimulation of agricultural exports as a source of FOREX is one of the cardinal aims of the SAP. Little has it dawned on government that the capacity of commodity exports to generate FOREX is very low indeed. The price inelasticity of primary products (as against industrial and capital goods) on the world marked and falling world prices for primary exports have combined to ensure that. Despite increased agricultural production and commodity exports, the cheapness of these products has ensured that the sector's relative contribution to FOREX earnings remain as low as ever[18]. Soon after the inauguration of SAP, the deregulation of primary commodity marketing led to an astronomical rise in producer prices for the traditional cash crops like cocoa, cotton, groundnuts and food crops like maize. Government continues to parade this as one of the gains of SAP, but the

16 These can conveniently be reduced to 7 as we have done.

17 Except otherwise stated, this section is based on E.J. Usoro, "Development of the Nigerian Agricultural Sector Within the Framework of the Structural Adjustment Program"; S.O. Titilola, "The Impact of the Structural Adjustment Program (SAP) on the Agriculture and Rural Economy of Nigeria"; M.I. Obadan, "The Theory and Practice of the Second-Tier Foreign Exchange Market in Nigeria: Nine Months After", all in A.O. Philips and E.C. Ndekwu (eds.) op. cit.

18 During the first six months of 1988, oil contributed over 97%, non oil 2.3%. See *The Guardian*, Sunday, July 23, 1989, p. 2.

indications are that the so called agricultural or rural boom is an illusion afterall. But the producer prices actually declined in relative terms, for crops like maize and cotton owing to soaring production costs. This inflationary trend has discouraged internal demand for the crops notably from agro-based industries which are unable to pay the devaluation induced sky-high prices for them. It is even doubtful whether the price boom does necessarily lead to a rise in the standard of living of farmers owing to

(a) the stagflationary impact of SAP on agricultural inputs, social services like health and education, transportation;

(b) the fact that a large proportion of the revenue accrue to foreign and local merchants who control the teleological inputs, marketing outlets, etc.[19]. Thus whatever prosperity may have arisen from the SAP induced agricultural boost was very much limited to certain zones, certain crops, and largely to those engaged in agricultural commerce rather than those engaged in actual production. The question is not just one of how much a farmer gets for his crop, but also more importantly how much Naira he has to pay for a cutlass, fertilizer, transport, tractor, a lantern, kerosene, a blanket, books, uniform and fees for his children, drugs for himself and his family, etc[20].

Table 1 on next page shows the composite consumer price indices (CPI) in the rural areas of Nigeria, and illustrates the inflationary trend. The CPI for all items increased by about 55% within 3 years. It even worsened as it rose to 931.6 within the first quarter of 1989.

Table 2 also on next page shows the prices of major agricultural inputs in Oyo State, an important grain and cocoa producing area. It reveals that the prices of major inputs, especially those not subsidised, like tractors, increased astronomically between 1985 and 1989.

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19 S.A. Oni, *The Impact of Structural Adjustment Programs on Nigerian Rural Life* (paper presented at the National Conference on the Impact of SAP on Nigerian agriculture and rural life at NISER Ibadan, November 26-29, 1989).

20 Y.B. Usman, "The 1990 Budget and our Future", *The Guardian*, Sunday, January 21, 1990.

Table 1 - Rural Consumer Prices Indices in Nigeria (1986-1988) (1975 = 100)

Components	1 1986	2 1987	3 1988	c/o change between 1-3
All items	504.90	558.80	781.60	54.80
Food	482.30	526.40	808.90	67.72
Drinks	432.10	471.10	490.20	13.45
Tobacco & Kolanuts	692.20	802.80	865.80	25.10
Accommodation, fuel/light	358.40	373.00	345.50	-3.60
Household goods & others	717.60	855.20	876.30	22.12
Clothing	725.40	810.90	894.10	23.26
Transport	432.80	494.00	575.50	32.97
Other services	881.50	1,084.50	1,164.80	32.14

Source: CBN Annual Report and Statement of Account 1988.

Table 2 - Trends in Prices Paid for Major Inputs Purchased by Nigerian Farmers (Oyo State)

Item	1 1985	2 1988	3 1989	c/o change between 1 & 2	c/o change between 1 & 3
Fertilizer (NPK Naira per bag)	6.00	10.00	15.00	66.67	150.00
Improved Maize seeds (Naira per kg.)	0.70	1.50	2.50	114.30	275.10
Labour (Wages per day)	5.50	7.00	10.00	27.27	81.81
Herbicide (per litre Atrazine)	15.00	30.00	35.00	100.00	133.00
Tractor					
MF 265 (63 HP)	16,675.00	135,00.00	315,000.00	709.0	1,639.00
Hoes	5.50	8.00	12.00	62.50	118.18
Matchets	11.00	19.00	30.00	72.72	172.72
Knap sack sprayer	20.00	200.00	655.00	900.00	3,175.00
Adrex 40	35.00	60.00	75.00	71.43	114.28
Gamalin 20	20.00	45.00	58.50	125.00	190.00

Source: S.A. Oni, "The Impact of Structural Adjustment Programs on Nigerian Rural Life", (paper presented at the National Conference on the Impact of SAP on Nigerian Agriculture and Rural Life at NISER Ibadan, November 26-29, 1989).

The boom associated with cocoa, SAP's 'golden crop' and success story turns out, on a closer look, to be largely artificial and hence ephemeral. A situation where the local price exceeds the world market price calls for extreme caution and sombre reflection, for the boom tended to mask the massive capital flight that was going on[21]. This is more so when the world market price of cocoa has not witnessed any appreciable increase since the era of SAP. Instead, the price for Nigerian cocoa actually fell at a point due to widespread adulteration encouraged by the deregulation of the cocoa business. But the vicissitudes experienced by the cocoa sector illustrates the dramatic futility of the reliance on commodity export production as engine of growth and development. The cocoa boom has come and gone[22]. Stories about suicide attempts by disillusioned cocoa farmers are frequently heard in Nigeria's cocoa belt. This instability apart, another development in this sector is the gradual shift of emphasis from non tradeables to tradeables as farmers want to cash in on the apparent boom in cash crop production. This trend if not checked, would aggravate the food crisis in the country. The abandonment of certain government sponsored farm projects geared towards food production should also count as a negative trend.

In spite of the primacy accorded agriculture in the SAP strategy, the pattern of FOREX allocation continues to exhibit the previous pattern of relative neglect. As admitted by government in the 1989 budget, this sector got 90.45% of total FOREX allocations in 1987. The figure stood at 0.6% in 1988. The stagflatory impact of the SAP remains the most potent threat to this sector. It explains the paradox so far witnessed in this sector: of increased agricultural productivity leading to increased cost of food, of declining farmers incomes and the like. Indeed, there is no cause yet for celebration.

Prices and Incomes

Owing to decades of dependent capitalist accumulation inaugurated since colonial times, production process in Nigeria is import dependent and FOREX intensive. Generally, capital goods constitute the bulk of Nigerian imports, with raw materials constituting its most important component. Given this background, it is easy to understand why certain SAP measures,

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21 Governor Olabode Goerge of Ondo State - the leading cocoa producing region in Nigeria - complained about this when he accused foreign merchants of being too eager to pay prices higher than the prevailing world market rate as a way of siphoning part of their profits abroad. See *Daily Sketch*, March 19, 1988.

22 Before SAP, local market price for cocoa was ₦1,800/ton in 1986. With the abolition of the commodity boards and SAP - induced deregulation, the price rose to ₦2,000, reaching ₦7,700 in October 1988, ₦15,000 by December 1988, reaching an unprecedented ₦27,000 in March 1989, then crashing to ₦7,000 in May and to between ₦4,000 and ₦6,000 in January, 1990. The international price per ton was US$1,000 in 1986; US$1,007 in November 1987; US$1,485 in March, 1988, and between ₦15,000 and ₦17,000 in 1989. This Information is compiled from various sources such as Central Bank of Nigeria annual reports, newspapers, *UBA Monthly Business and Economic Digests*. See also Bisi Ojediran, "Cocoa Pods Split Doom for Farmers" *The Guardian*, February 20, 1989, p. 7.

in this instance devaluation, high tariffs and excise duties in conjunction with government's removal of subsidies on petroleum products and social services, are putting pressure on the prices of both imports and locally produced goods and services[23]. We have already seen the consumer price index. Government sources put the inflationary rate at 38.8% in 1988 and 47.5% in 1989, and admit that these are slightly higher in the rural areas. But independent sources estimate that the inflationary rate had hit the three-digit mark within one year of SAP[24] and has been escalating ever since.

It is obvious that contrary to the Philosophy of SAP, the inflationary trend is due to cost push, mark-up push, rising energy and transport costs and not demand - pull factors. The SAP macro-economic objective of laying the basis for a sustainable non-inflationary or minimal inflationary growth has become a chimera. Indeed, the stagflationary impact of SAP does pose "the danger of elongating and complicating eventual economic recovery" as "the cost of development may become so high that development would elude Nigeria for a long time"[25]. This inflationary trend, together with the extremely reactionary wage policies of government, has meant the rapid deterioration of the real incomes and standard of living of Nigerians. The consequent immiserisation and pauperisation of Nigerian masses is graphically illustrated by an emerging trend: hunger, malnutrition and diseases derived from them, the trade in kids for food, and other manifestations of the rising poverty line, no longer make headline news in the country, just as the infant mortality rate continues to rise. They have become a way of life, a necessary price so that SAP may succeed[26].

The Industrial Sector

This sector, which is so vital in any drive towards economic recovery and self-reliance is also hard hit by the run away inflation that has engulfed the economy. The negative tendencies observed for this sector are as follows:[27]

- the exponential growth of cost of living index and the attendant fall in purchasing power have brought about a drastic fall in aggregate demand for industrial goods. This, together with the cost-push

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23 D.O. Ajakaiye, "The Structural Adjustment Program for Nigeria: Its Impacts on Prices and Incomes", in Philips and Ndewu (eds.), op. cit.

24 See for example, M.I. Obadan, op. cit., p. 42.

25 A.O. Philips, "A General Overview of SAP" in Philips and Ndekwu (eds.) op. cit. pp. 5-7.

26 The ravaging effects of SAP on the rural sector of Nigeria's low income groups are brought out in N. Igiebor, "Life Less Abundant: Life of Typical Rural Families in Nigeria", *Newswatch* sp. issue October, 1988.

27 See B. Onimode, "Technology and Political Economy", J. Ohiorhenuan, "Recolonising Nigerian Industry ...", M.O. Kayode, "The Structural Adjustment Program (SAP) and the Industrial Sector", in Philips and Ndekwu (eds.) op. cit.

inflation, now confront local manufacturers with the problem of unsold stocks;

- as a consequence, installed capacity utilization in this sector remains very low when compared to that recorded for the 1981-85 quadrennium. Table 3 shows the trend. Though capacity utilization picked up at the onset of SAP to 38%, it never attained the level reached in the earlier quadrennium, and it fell drastically again in 1989 to 31%. It is expected to worsen in 1990.

Table 3 - Trends in Industrial Capacity Utilization (Percentage)

1982	n.a.	1986	36.4
1983	47.8	1987	38.0
1984	39.9	1988	40.7
1985	n.a.	1989	31.0

Source: Content analysis of Central Bank of Nigeria (CBN) Annual Report and Statement of Account for the various years.

- local sourcing of inputs has recorded appreciable improvement only in industries where local substitution is possible. Such inputs have come mainly from the agricultural sector. The most successful examples are the confectionery and brewery subsectors, but these can hardly be regarded as the hub of the industrial sector. The import dependency of the sector for machinery, chemical raw materials, etc. remains a basic reality;
- these developments have had a collapsing effect on the sector, notably the small scale industries, whose problems are compounded by the astronomical prices of local raw materials induced by agricultural commodity exportation. Hardest hit are the cocoa processing plants, the textile industry, etc.;
- trade liberalization, FOREX allocation and the existing tariff structure all have encouraged the importation of finished goods and this poses a threat to local manufactures;
- the crippling effect of devaluation has hampered the export drive in this sector as locally produced goods appear rather uncompetitive in the world market.

Employment Creation

To consider the impact of the SAP in this area is almost superfluous, since retrenchment was a principal instrument of the SAP. It has to be mentioned here if only to raise certain economic and moral questions. What, for example, is the goal of an economic recovery program of economic development or even of economic planning? Does it have people - I mean the welfare of people - as a goal or is it just a matter of statistics and figures? With the SAP regime, economic planning lacks this people oriented goal, for planning seems to be done as if people do not matter. But we do know that employment generation is central to any program of economic recovery since unemployment is a manifestation of disarticulation within the economy. Two contradictory developments are noticeable in government's handling of the issues:[28]

- the implementation of short run policies of massive retrenchment in the public sector through nationalisation, commercialisation and the winding up of some government owned companies and parastatals. The private sector reeling under the weight of the SAP - induced burden already highlighted, but also to enhance their profitability, capitalised on the situation to implement a similar policy;
- government soon 'discovered' the presence of millions of unemployed people, including thousands of high school graduates and resorted to ad-hoc measures to create employment. This led to the birth, in the 1987 budget, of the National Directorate of Employment (NDE) which operates through a 4-core program, namely

(a) the Youth Employment and Vocational Skills Development (Aka National Open Apprenticeship) Scheme in which thousands of unemployed youths are taught certain skills with which to become self-employed;

(b) small scale industries and graduate scheme under which loans are given out to university and high school graduates and products of the vocational scheme to operate self-owned small scale industrial enterprises;

(c) agricultural sector scheme whereby loans are given to graduate farmers in the hope that additional employment would thereby be created;

(d) special public works scheme under which high school and university graduates are directly employed to do public work with the inducement of a monthly stipend lower than what their counterparts earn in the civil service. While some of these projects are laudable, their implementation leaves much to be desired. The Banks have been routinely criticised by government for refusing to cooperate with the small scale industries and agricultural scheme. What is more, the stagflation in the economy has tended to severely obviate the significance of the loans expended. Although the public works program may have offered temporary relief to people who are hard pressed for cash, its capacity for sustained employment generation is doubtful. This is because public works would not increase the capacity utilization within the economy, neither would it address the problem of supply constraint, these being the two critical

28 Mike Kwanashie, "Structural Adjustment: Capital Accumulation and Employment", ibid.

factors accounting for the low productivity of the economy and its inability to cope with the rate of growth of the labour force[29]. But the self-employment concept which pervades the NDE scheme reflects the growing significance of the 'capitalist ethic' rapidly promoted by the government and now canonised in the doctrine of privatisation.

The creation of the NDE is to all intents and purposes a token measure to appease the angry public. Its impact on the economy remains rather insignificant and the unemployment situation continues to deteriorate. In its first year of operation, about 80,000 direct jobs were created by the body, out of which 50,000 were engaged in the vocational scheme, 20,000 in public works, 7,000 farmers were given loans expected to generate additional 7,000 seasonal jobs during harvesting annually while 561 cottage industries expected to employ 4,000 people were developed. Yet the unemployment figure was estimated at 3 million, excluding the thousands retrenched that year by both public and private enterprises[30]. With an estimated 1.6 million being pumped annually into the unemployment market, the figure would probably stand at nothing less than 10 million today. As seen above, the dominance of the vocational and public works 'employees' has severely constrained the ability of the NDE to generate sustained employment. Yet, despite the huge 'profits' being realised by government from the foreign exchange market (FEM) and those being declared by industries and financial houses, notably the TNCs, we have not witnessed a massive recall of retrenched workers[31].

Social Justice

Two issues are at stake here namely the social cost of the SAP and the spread of the SAP burden. Both are tied up with government's commitment to social justice as a goal of the SAP. One major pattern that has emerged in this is the astronomical hike in the cost of social services provided by government and its agencies. Institutions like the National Electric Power Authority (NEPA), the Nigerian Telephone (NITEL), the airways and social services like education and health have been priced out of the reach of the

29 Ibid, p. 203.

30 *UBA Monthly Business and Economic Digest*, vol. 10, No. 12, Dec., 1987, pp. 3 and 9.

31 The widespread anti-SAP riots which ravaged the country in May/June 1989 and which left scores of people dead was greeted by government with a hastily assembled 'SAP relief package' which provided 65,000 jobs to various categories of workers, 62,000 of which were to be created through the NDE. Compare this with the retrenchment figures revealed in a cursory look at Nigerian Newspapers for a few establishments during the first half of 1989: construction industry 151,000; railways 2,000; airways 2,500; Flour Mills Nigeria Ltd. 32,000; Nigerian Ports Authority 2,000. Add this to the estimated 1.6 million pumped into the unemployment market during that year, and we see that the 'relief package' is a pindrop in the ocean.

vast majority of Nigerians. Government officials have openly declared that these utilities and conveniences are not meant for the poor! A second trend is the virtual collapse of vital social services, most affected being the health sector. The trend which became noticeable in the 1980s whereby hospitals became "mere consulting clinics"[32] has even worsened under the SAP due to broken down equipment which cannot be replaced owing to the FOREX component involved, drastic expenditure cuts by government, as well as the flight to Europe, America and the oil-rich middle eastern countries by medical personnel[33]. Third, the resultant burden created by those developments is highly skewed, as among the social classes in favour of the dominant compradorial, bureaucratic and technocratic elements[34]. The system has been operated in a manner that caters exclusively for their interests. Some of the bad habits for which they were known - wasteful consumption patterns and lifestyle, insatiable taste for exotic imports - remain unaffected by higher costs. They are cushioned from the ravages of the SAP owing to their comfortable financial positions and the official perquisites they enjoy. What is more, they were not retrenched, they being the designers and implementors of the SAP. And this is the very class whose extraverted demand profile brought about the distortions in the economy. We may contrast this situation with the not so fortunate vast majority of Nigerians - the poor mass of peasants, workers, students, the unemployed, etc. - who alone seem to be carrying the burden of the SAP. The implementation of other policies like privatisation will further widen this socio-economic disparity and entrench the dominance of the bourgeois and parasitic elements in society. The goal of social justice seems to have either been forgotten or entirely discarded in deference to the wishes of the IMF.

Investment

Also devastating has been the impact of the SAP on the investment climate. The deregulation of bank credit, the general cash squeeze in the economy arising from governments restrictive fiscal and monetary policies, brought about an astronomical increase in the lending rate from about 13% in 1987 to above 35% in January 1990[35]. This has tended to act as a major disincentive to invest. Government measures have been more effective in checking expansion than in initiating recovery, for in a depressed economy,

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32 This was one of the reasons given for the overthrow of the Shagari regime in 1983 in the coup broadcast by then Brig. Sani Abacha, now a Lt. Gen. and member of the ruling body AFRC.

33 *The Guardian*, October 11, 1987 reported the grim findings of its survey on the health sector.

34 Bankole Oni, "The Structural Adjustment Program and Unemployment: An Evaluation" in Philips and Ndekwu (eds.) op. cit.

35 *Daily Times*, February 22, 1990, p. 1.

it is very risky to borrow and invest at very high rates of interest[36]. Besides, the investment pattern continues to worsen the trend whereby in their loan disbursement, the banks have generally favored merchandising enterprises over productive ones owing to the former's profitability, lower risk level and quick maturing periods. This has accentuated the dominance of merchant capital over industrial capital in the nation's political economy and hence the dependency syndrome.

In terms of foreign investment, though the SAP was expected to generate capital inflow, it has had the opposite effect of intensifying capital flight as capital exports continue to exceed inflows. The escalation of the debt service, the fast trading activities of merchandising interest groups as those in commodity export, the huge profits made by TNCs which they are allowed to repatriate at will, illustrate this trend. Government's frustration and desire to court foreign investment at all cost has led to the ongoing experimentation with the debt-equity swap.

Self-reliance

This is another objective of the SAP which seems to have been advocated only on paper. In practice, it has been promoted under the watchful eyes of the IMF and the WB. In his book *The Debt Trap: The IMF and the Third World* (1974), C. Payer had warned that:

> *The Fund does not advise nations on how to stand on their own feet economically but coaches them on how to qualify for increased quantities of new credit*[37].

The truth of this is borne out by the vicious cycle which the debt-trap has initiated. Nigerians have watched in consternation as government secures from time to time (after passing through some secretly administered performance test) fresh foreign loans to service old ones and to fund the FEM to enable the country import more foreign goods! Meanwhile, the debt continues to cumulate. Government sources put the total foreign debt at $US12.34 billion in December 1985. This rose to $29.120 billion in

36 Obadan, op. cit.; Toyo, op. cit. p. 37; Onimode "Technology and Political Economy"; Ohiorhenuan, "Recolonising Nigerian Industry"; Egwaikhide, op. cit. p. 23.

37 Quoted in Egwaikhide, op. cit. p. 26. On The Debt Trap in Africa, see B. Onimode, "The Debt crisis: Imperialism's Silent War of Re-colonisation in Africa", *Journal of African Marxists*, No. 11, 1989; Isebill Grunn, "The Re-colonisation of Africa: International Organisations on the March", *Africa Today*, 30, 4, 1983.

December, 1989, meaning that it is more than doubled within only four years[38].

Thus from the available empirical evidence, the SAP has merely unleashed unprecedented but avoidable hardship on the Nigerian masses without fundamentally addressing the basic problem of the economy, namely the distortions and constraints created by internal disarticulation and external articulation. All it has yielded is the reproduction of the international division of labour and of dependent production patterns that guarantee the dominance of private capitalist and imperialist interests in the nation's political economy. Yet, government and its spokesmen have developed the habit of referring to SAP as a 'giant stride', a revolution in economic planning and development. At a point, they perfected the art of disinformation, first by proclaiming that there was no alternative to SAP and by equating SAP with the alternative strategy recommended for Africa by the UN Economic Commission for Africa (ECA)[39]. Indeed, SAP is a revolution, but a revolution of regressions! During this 'revolutionary' era of SAP, the nation's per capita income declines from $US 874 in 1985 to less than $200 in 1988, a decline that prompted the World Bank to reclassify the status of the country from 'middle income country' to 'low income country'[40].

Policy Effectiveness: SAP, Imperialism and the Class Struggle

The failure of the SAP-IMF model of economic recovery in Nigeria and in other LDCs confirms the ineffectiveness of that strategy as it concerns peripheral capitalist formations[41]. Having looked at the theoretical limitations of the SAP strategy and its counter productive results, we are now better placed to attempt a characterisation of the SAP strategy. Perhaps

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38 See the budgets for 1986 and 1990. The rate of increase is even more revealing in Naira terms. Based on the ruling foreign exchange rates, the foreign debt increased from a mere ₦11.39 billion in 1985 to ₦100.8 billion in 1987 and reaching over ₦250 billion by December 1989.

39 Curiously, seminars and conferences organised by the Nigerian left to articulate a socialist alternative to SAP have remained *defacto* banned. On two occasions, security forces were drafted to disperse participants, while the organisers were hounded into jail. For the alternative policy recommended by the ECA which in fact stands SAP on its head, see UNECA, *African Alternative Framework to Structural Adjustment Programs (AAF-SAP) for Socio-Economic Recovery and Transformation*, 1989.

40 Oni, op. cit. pp. 9 and 27.

41 See Norman Girvin, "Swallowing the IMF Medicine in the Seventies", *Development Dialogue* No. 2, 1980; Girvin *et. al.*, "The IMF and the Third World: The Case of Jamaica 1974-80", ibid.; N. Nzongola *et al*, *Africa's Crisis*, Institute for African Alternatives (IFAA), 1987; IFAA, "The IMF, World Bank and Africa", (Report of a conference on "The Impact of the IMF and World Bank Policies on the People of Africa", City University, London, 7-11 September 1987.

we should begin by acknowledging Karl Marx's methodological injunction: the need to shatter the obviousness of immediate appearances. Marx had in the mid 19th century identified a group of economic theorists who, as practitioners of "Vulgar economy" were often mesmerised by the "false appearance" and the "illusion" of things and hence were unable to uncover the real socio-economic relations concealed by those appearances. For Marx, the science of political economy requires that we capture the essence of reality concealed by the apparently chaotic appearances[42]. The minimum requirement of scientific practice therefore is to transcend the epiphenomenal and uncover basic structures, fundamental realities and root problems. This, the apostles and intellectual pundits of SAP have failed to heed. With their single minded focus on the superficial that is the level of market relations (or the sphere of circulation) through such mystifying notions like "realistic exchange rate for the Naira through FEM", "market forces", "devaluation", "trade liberalisation", while at the same time hoping through such magic formulas to achieve the goal of economic recovery without confronting the structural problems of the economy, the theorists of the SAP are practitioners of Vulgar economy *par excellence.* Consequently, the SAP is a product of Vulgar, not scientific, economic thought. It is akin to attempting to rectify the foundation of a structure by undertaking repairs at the summit. The very attraction of the SAP strategy is a reflection of the intellectual poverty prevailing at the citadel of power, "as inane eclecticism, and anxious concern for career and income descending to the most Vulgar opportunism, have taken its places"[43].

The advocacy on paper of the laudable goals of economic recovery, social justice and self reliance by these 'economic masquerades'[44] only helps to mask their hidden agenda. Specifically, two aspects of the issue are central in our further characterisation of the SAP, namely class consciousness and the ideological question. Our treatment of the SAP burden has sufficiently established the SAP strategy as a class inspired program run by the ruling bureaucratic and compradorial elements to further consolidate their stronghold on society. In the event, therefore, the real

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42 Norman Geras, "Essence and Appearance: Aspects of Fetishism in Marx's Capital", *New Left Review,* 65, 1971; D. McLellan, *The Thought of Karl Marx,* 2nd edition, Macmillan, 1980, pp. 89, 154.

43 F. Engels, *Ludwig Feuerbach and the End of Classical German Philosophy,* Peking, 1976, p. 60. His characterisation of the decline of scientific thought in Post 1848 Germany fits into the contemporary Nigerian situation. Indeed, the SAP strategy has even accelerated the descent towards opportunism in intellectual cycles. Several erstwhile radicals - left wingers and social critics generally - have been incorporated into the system through lucrative appointments.

44 A. Aboyade, "Economic Masquerades" (second annual lecture series of the Social Science Council of Nigeria, December 1985).

beneficiaries of SAP are international finance capital, Nigerian bank owners, currency speculators, the TNCs and their Nigerian agents, and adventurist capitalist grabbers from America, Europe and Asia. The most significant development of the period is the boom in the banking sector as attested to by the increased profitability of the business and the mushrooming of scores of 'casino' banks. Before SAP, the total number of banks stood at 45. This increased to 89 in 1989, with another 13 expected to be commissioned in the first half of 1990[45]. Whereas for several sectors SAP means severe belt tightening, for the banks it has meant a prosperous era. Aggregate assets, gross earnings as well as the after tax profits of the banks have been rising in millions in spite of the downturn in the economy[46]. The profits are largely artificial though realised mainly from fast dealings in currency speculation and the like.

The rise of the financial bourgeoisie and the dominance of financial, merchant and speculative capital in the nation's political economy has brought about a basic and fundamental split of the bourgeoisie more than ever before. In fact, one can argue that its lower segments are being proletarianised. In addition, there is a basic struggle between its merchant, financial, industrial and agrarian components. While the first twc, as main beneficiaries of SAP, have been growing, the last two, though the more productive, also happen to be the more adversely affected by SAP and amongst the members are to be found the bitterest critics of SAP. These developments will definitely have implications for class alliance and class action.

The ideological question takes its dynamism from the unfolding class struggle. The inauguration of the SAP under the Babangida regime has witnessed in an unprecedented manner the entrenchment of capitalist values in the Nigerian social formation, an increase in the ownership and control of production, commercial and financial activities by private capitalists in the Nigerian economy. Certain bold, dangerous and class inspired measures like privatisation, debt-equity swap, the war against ideological 'extremism', combine to mark out the regime as "the most courageous and forthright in entrenching capitalist economic, social and political values and relations in Nigeria"[47]. Associated with this is the unrestricted opening up of the economy to foreign capital. As observed elsewhere, the emerging structure of accumulation is being founded on a drastic deemphasis of economic

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45 *The Guardian*, February 17, 1990, pp. 1-2. Most of these operate from one main branch which also doubles as the national headquarters. *The President*, June, 1989 reveals the class character of the ownership structure of the banks.

46 Emeka Ogbeide, "SAP Bringing Sunshine into Bank Vaults", *The Guardian*, Sunday, June 26, 1988: p. 12.

47 B.U. Ekuerhare, "Nigerian Economic Crisis and Economic Policy Profiles", op. cit., p. 17.

nationalism and on an enthusiastic promotion of imperialism. The SAP is a neatly packaged capitalist program run by the bourgeoisie for the recolonisation of the Nigerian social formation.

It is instructive to note that whenever the opportunity presented itself - as through the political bureau report of 1987 - the Nigerian masses have always opted for a socialist arrangement[48]. Nigerian governments have consistently refused to consider this model of accumulation, asserting instead their "ideological neutrality" while actively promoting dependent state capitalist accumulation. The Babangida regime is an exception only to the extent that it has unveiled the mask, abandoned the state capitalist model and chosen a worse form of classical state supportive model[49] that leaves the economy entirely in foreign hands.

Conclusion

Now that we have exposed the monstrous swindle that is SAP, our task in this section is to delineate the main contours of an alternative strategy. This demands a complete abrogation of SAP and the institution of a radical program of structural disengagement guided by the following minimum criteria:

- the laying of an enduring and stable foundation for an effective domestic control over the Nigerian development process by delinking domestic demand structure consumption patterns to what can be produced domestically, but also through erecting domestic production structure on domestic endowment;[50]
- the goal of planning must be people centred. Unlike the present practice, planning will respond to the logic of the requirements of the home market and not that of international finance capital. This home market strategy is a prerequisite for sustained autonomous development;[51]
- removal of supply constraints through a fundamental restructuring of property and power relations, of ownership structure of capital and the specific interests it serves. This calls for the nationalisation

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48 Federal Republic of Nigeria, *Report of the Political Bureau*, Government Printer, Lagos, 1987. The body was constituted in January 1986 charged with the task of recommending an appropriate form of socio-political and economic arrangement for the country. The committee spent over one year touring the countryside, listening to the people. It came as no surprise when it recommended a socialist arrangement and which government promptly rejected.

49 B.U. Ekuerhare, "Recent Patterns of Accumulation in the Nigerian Economy" op. cit..

50 B.U. Ekuerhare, "Nigerian Economic Crisis", op. cit., pp. 17-18.

51 Y.B. Usman, Nigeria Against the IMF: The Home Market Strategy, *Vanguard*, Kaduna, 1986.

of the means of production, distribution and exchange, associated with proletarian control of the apparatus of state;

- since the 'realistic exchange rate' of currency is not determined by market forces as such, but largely by political and economic considerations based on the national interest, we would expect the government to fix the exchange rate of the Naira at between ₦2.50 - ₦3.00 to one US dollar as advocated by patriotic Nigerians;
- the renunciation of our foreign debts or at least the pegging of the external debt service ratio to the minimum 10%. This would make available investable funds which would go a long way in stimulating the domestic economy.

This minimum program would no doubt give the economy the dynamism required for self-sustaining growth, a dynamism that is presently lacking owing to the external orientation of economic planning and processes. Whichever government will emerge with such a program deserves the support of patriots.