NIGERIA'S ECONOMIC CRISIS: STRUCTURAL ORIGINS, SOCIAL FOUNDATIONS, AND POLICY OPTIONS

By

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INTRODUCTION

By March 1982 Nigeria's reserves of foreign exchange could barely cover one month's import bill, which was then about ₦1.2 billion. Government expenditures were running at double the revenues, derived overwhelmingly from crude petroleum taxes and royalties, and estimated at N8.9 billion for that year. At the reference price of 35.5 United States dollars then being maintained for the country's crude oil, the major companies with contracts to purchase her crudes had stopped lifting their full quotas, preferring instead to pay the agreed penalties. As a consequence actual export earnings for that month stood at ₦0.74 billion, in an almost steady decline from a monthly average of over ₦1.5 billion in 1980. On the other hand, firm foreign commitments for the importation of food, industrial raw materials and spare parts amounted to ₦4.9 billion, of which 52% would have to be paid within the next three months (African Research Bulletin 1982, P. 6414).

On April 19, the President of the Republic asked for and received from the National Assembly full emergency powers – the Economic Stabilization (Temporary Provisions) Act 1982 –– to impose a set of stringent economic controls, mainly in the form of import restrictions and prohibitions on a wide range of goods and services, cuts in domestic spending, and a reduction in the indirect subsidy on refined petroleum. By June 1983, on the eve of the nationwide general elections, the country was locked in negotiations with a group of Western banks for the rescheduling of her outstanding trade bills, estimated variously at between ₦4.0 billion and ₦8.0 billion. The banks would extend no further credits to Nigeria unless she reached agreement with the International Monetary Fund. Since the country had long before then exhausted her automatic borrowing facility with the Fund, any further relief from that body would have to come with the dreaded «conditionalities», invariably including trade liberalization and currency devaluation.

In the meantime, industrial plants throughout the country continued to shut down one after the other in the absence of imported raw materials and spare parts made unavailable by the foreign exchange debacle. At dawn on December 31 1983, three months after the general elections, the civilian government of the Second Republic was ousted by the military who cited the «harsh, intolerable» conditions prevailing in a state of «grave economic predicament and uncertainty». They specifically complained of «inadequate food at reasonable prices», «unacceptable unemployment figures», hospitals without drugs, etc and pointed to widespread «squandermania, corruption, and indiscipline» in the political leadership.

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The foregoing chain of events depicts, in the dimensions of its social and political repercussions, the gravity of the economic crisis Nigeria has been undergoing following the recession in the world oil market commencing in 1981. As is to be expected, the search for solutions, particularly in terms of public policy options, is on everywhere, especially in the mass media. It is clear, however, that this search is not likely to get very far except it is done in the context of some understanding of the fundamental causes of the economic difficulties and of the limits to public policy in the Nigerian setting. Indeed, as the situation deteriorates, a curious and frustrating feature of contemporary life in many currently less developed countries becomes more and more manifest, namely, that there appears to be an inverse relationship between on the one hand the *increasing need* for, and on the other hand, the *decreasing ability* of, public policy to deal with the increasingly chaotic conditions of existence in society.

This paper aims at contributing to the background of understanding necessary for the on-going policy debate. After outlining the structural origins of the economic crisis and the socio-political constrainsts to public policy making, we proceed to indicate the broad policy opticns open for contending with, and moving beyond, the crisis.

STRUCTURAL ORIGINS OF ECONOMIC CRISIS

Most governments today face inherent difficulties of devising appropriate macro-economic policies in an increasing interdependent and unstable world. For the major oil exporting countries, including Nigeria, the difficulties were compounded with the sharp and sudden rise in oil revenues of the early 1970's. But for Nigeria in particular, the added problems were piled on just as the economy was beginning to unwind from the repercussions of the 1967–70 civil war. The war itself, and the political turmoil preceeding it, came before definite policies could crystallize for dealing with an economy in which export agriculture, the erstwhile mainspring of economic growth, was making way structurally for a small but rapidly growing manufacturing sector and an even more expanding petroleum mining industry.

But be all this as it may, it seems hardly disputable that the proximate trigger for the current difficulties was the 1973/74 oil boom engineered by the Organization of Petroleum Exporting Countries in the wake of the Middle East crisis. The quantum jump in oil revenues, while it greatly eased the financial constrainsts on development, brought in its train a host of new and complex problems. In the feverish spate of expenditures embarked upon in the wake of rapidly accumulating foreign exchange reserves, the aim, as later enunciated in the Third National Development Plan (1975–80), was to utilize the resources from petroleum, in the relatively short time they were expected to be available, to transform the rest of the economy and raise the living standards of the people. (FGN 1974, P. 30). However, in executing this seemingly simple strategy, the authorities, whether or not they knew it, were necessarily confronted with tough policy issues and choices, such as the feasible rate of development of the non-soil sectors, the appropriate exchange rate, tolerable rates of inflation,

the proper roles of the public and private sectors, acceptable standards of income distribution, etc. (Cf. Morgan 1979, P. 64). Above all, the policy-makers had to decide what to do with export agriculture whose importance as a source of public revenues had drastically declined, but which neither modern manufacturing nor petroleum mining could for the foreseable future be expected to replace as a source of domestic employment.

Judged by the actions actually taken at the time, the response of the authorities to these policy challenges could only be described as reflecting insufficient appreciation of, among other things, two pieces of basic economic logic, namely, that foreign earnings from the sale of a crude product like petroleum represent increased availability of real resources only to the extent that they permit additional imports: and that the existing matrix of human, physical and other capacities impose a definite upper limit to the amount of expenditures an economy can productively absorb during any given period of time. Among these capacities are the extent of the transportation network and of other infrastructures; the size of the construction industry; and the managerial and executive capacities of the private and public sectors, including the attitudes and preferences of entrepreneurs and government agencies, and even be number of people capable of effectively negotiating foreign contracts.

An indication of the extent to which the sharply increased and oil-financed expenditures of the period –– for a vast, though unevenly distributed, network of expressways and «fly-overs», new universities and polytechnics, new state capitals, etc –– attempted to push beyond the absorptive capacity of the economy is obtained by a comparison of the Second (1970–74) and Third Development Plans. Whereas an expenditure programme of ₦3 billion could not be effectively realized at the end of the Second Plan, due to the above types of limiting capacities, a programme of ₦30 billion (later raised to (₦42 billion) was embarked upon for the immediately succeeding Plan. *(1)* The result of this attempt was of course the emergence in short order of severe structural bottlenecks in most sectors of the economy, of which the sensational port congestions were only the most prominent. (By 1976 a «foreign exchange bottleneck» had also appeared by way of a large balance-of-payments deficit on current account). The massive inflationary pressures throughout the economy, and the pervasive waste and corruption were in turn the offspring of these bottlenecks.

Simultaneous with these developments was the intensification of a process of structural transformation of the economy in a direction that was bound to lead sooner or later to the present crisis. Nigeria by the beginning of the civil war still depended largely for her economic growth and development on the export of a fairly well diversified group of primary products, e.g. cocoa, palm products, groundnuts, etc. However, as already noted, there were already clear signs by that time of important structural changes by way of the rapidly growing though small modern manufacturing and petroleum mining sectors. Manufacturing activity had commenced mostly in the middle to late 1950's under the auspices of erstwhile British trading multinationals (UAC, John Holt, etc) who went into local manufacturing to protect established markets from the threat of competition expected to materialize with approaching political independence. The

government had, however, provided generous incentives by way of protective tariffs, thus initiating the classic pattern of domestic import-substitution behind a protective wall (Kilby 1966).

Given the poor prospects generally faced by the exports of primary producing countries in world markets, the idea of structural diversification through import-substituting industrialization is a well justified strategy. Nonetheless, the well documented experience of many Third World countries (see e.g. Bruton 1970) shows clearly that in the absence of a conscious efforts to implement a set of supporting policies, the conventional approach to import-substitution is liable to lead to serious difficulties. These policies relate mainly to the specific activities selected for protection and the manner of protection. (Ibid)

There is no evidence of such a set of complementary policies in Nigeria before or since the civil war. Indeed, for the 1970's, in the permissive atmosphere of euphoria occasioned by the outcome of the civil war and the subsequent oil boom, there is evidence on the contrary of excesses in the application of conventional import-substitution policies. The local currency had been deliberately and persistently over-valued since the early seventies in a bid to maximize the foreign currency value of government revenues and minimize the cost of imports, especially of intermediate goods and capital equipment which were taking a rapidly increasing share of total imports. The rising share of producer goods in total imports is of course a reflection of the first stage of the classic pattern of import-substitution which commences with the replacement of consumer goods, whose cost disadvantage vis-a-vis foreign goods is generally assumed to be less than for producer goods. The overvalued exchange rate in effect reinforced the structure of tariffs which initiated the classic pattern in the first place by discriminating against the imports of consumer goods and in favour of those of producer goods.

However, the dilemma with this approach is that in the absence of judiciously selected measures to modify it, the policy of encouraging the domestic manufacture of consumer goods by methods that generally and artificially reduce the price of intermediate and capital goods below real costs produces a number of serious consequences. The first obvious effect is that it encourages, through either the choice of technique or the choice of product, a capital intensive pattern of production with its adverse implications for domestic employment. Another problem is that it discourages the economic production of capital goods domestically. The resulting lack or low level of structural interdependence in the economy has in the case of Nigeria continued to cause great concern to the planners (see FGN 1970, P. 143 and 1981, P. 140).

The overvalued exchange rate and the high propensity to import had during the period in question put such pressure on the balance of payments that the large current accounts surplus of over ₦3.0 billion at the end of 1974 had dropped to ₦0.04 billion a year later, and, as already noted, turned into a deficit of ₦0.26 billion in 1976 (Falegan 1978, P. 7).

To cope with the pressure, a system of quantitative controls, most of which had made their debut during the civil war, was vastly extended, including the highly sensitive import licenses. However, in the face of social and institutional weaknesses like corruption and an over-stretched administrative machinery, the administration of the network of controls was anything but systematic, resulting often in import licenses, for instance, being issued on the basis of the license-getting abilities of the recipients rather than the social utility or economic productivity of the activities involved. As Krueger (1980, P. 291) has hypothesized, the likely result of balance of payments pressure and haphazard controls is that «efforts at 'import-substitution' stop being geared toward development of economic new industries and becomes focussed upon 'foreign exchange saving' often in highly irrational and indiscriminate ways». In Nigeria the local manufacture or assembly with imported raw materials or components of «lace» cloth, tooth-picks, colour television, mosquito coils, bouillon cubes, etc testifies to the singular lack of discrimination in her import-substitution policy.

The upshot of all these excesses in the method of executing the import-substitution strategy is that a structure of production has emerged which consists of inefficient, high-cost and often capital-intensive activities requiring a rising flow of imports to be able to function; and which, because of the dominant share of intermediate and capital goods in total imports, is extremely vulnerable to interruptions in the flow of imports. High import intensity and vulnerability to import fluctuations constitute only one aspect of Nigeria's current structural imbalance. The other aspect, which renders the situation even more dangerous, is that the export-based capacity to import is highly concentrated—over 90% since the mid-seventies—in a single commodity, namely, crude petroleum; a commodity which because of its industrial and strategic importance remains the focus of a great deal of destabilizing international intrigue.

The high concentration resulted mainly from the relative neglect since the early seventies of the export potentials of agriculture and agro-based industries— directly by way of the absence of positive policies of encouragement, and indirectly through the disincentive effects of the type of exchange rate and tariff policies in force at the time. Regarding the import and capital intensive pattern of production, it should be noted that once such a distorted structure has set firmly in place, correcting for the source of the distortion e.g. by currency devaluation or raising the price of capital, will not immediately remove the difficulties. Indeed, such an approach can worsen the problem. For instance, given low price elasticities of export supply and import demand, a devaluation may merely result in increased inflation.

It is also important to note that although the structural imbalance outlined above is obviously at the root of the current economic difficulties, it does not fully explain their magnitude. The attitudes and preferences of the leadership group (civilian or military), the bureaucrats, and public agencies, as reflected in various acts of gross recklessness or corruption have contributed significantly. Notable acts of recklessness during the

first military regime include the «cement scandal» of 1974 wherein the authorities ordered for immediate delivery a volume of imported cement estimated at more than twenty times the combined handling capacity of all Nigerian ports; the unprecedented «Udoji» awards in which wage and salary increases of between 30% and 100% were granted in the public sector (inducing corresponding increases in the private sector) with payment of arears of up to nine months; and various international festivals and games organized on a lavish scale.

Given such prodigal propensities, it is little wonder that when the unanticipated oil recession of early 1978 came *(2)*, the authorities were caught completely unprepared, and consequently had to impose what was to be the first oil-induced «austerity» in the Nigerian experience, with across-the-board cuts in domestic expenditures and a broad range of import restrictions. Clearly, if the authorities had earlier spent at a level and in a manner even remotely consistent with the economy's absorptive capacity, such a level of reserves would have existed that the oil recession would hardly have been felt, let alone necessitate the indiscriminate *(3)* and thus harmful emergency measures that had to be resorted to, or the recourse for the first time to international money markets for a «jumbo» loan of one billion US dollars.

As for the period of the Second Republic, the greatest act of recklessness can be said to consist in the disastrous failure of the civilians who took over from the military in October 1979 to draw the appropriate lessons from the 1978 episode. For by the first quarter of 1979, oil prices had commenced another steep rise, with the international «spot» price eventually reaching 40 US dollars per barrel, and leading to the accumulation of foreign exchange reserves of over ₦ 3.0 billion by the end of the year. However, no sooner did the new administration (both the executive and legislative arms) settle down to business than they embarked upon a spending spree that beat most previous records, dismantling in the process virtually all of the import barriers erected by the military, and introducing new and more frivolous forms of profligacy, epitomized by endless junketings by various legislative committees and the purchase of private jet planes. The result was that the monthly import bill rose from ₦ 0.52 billion in September 1979 to an unprecendented ₦ 1.2 billion by January 1982, while foreign exchange reserves tumbled from ₦ 5.6 billion in December 1980 to ₦ 2.5 billion a year later, falling below one billion naira by April 1982 (CBN, various issues).

At the time of the wanton import liberalizations in 1980, it was generally known that the international spot market for oil had already started to collapse; and it should in any case have been clear that the 1979/80 oil boom was a transient phenomenon rooted in the Iranian crisis, and the deliberate policy of strategic stock-piling of oil by the countries of the Organization for Economic Cooperation and Development whose real intentions for OPEC were hardly secret. And even though the downward trend in oil revenus had continued all through 1981, the orgy of reckless spending never abated, and it was not until April 1982, as earlier stated, when available reserves could barely cover one month's imports that the authorities, in utter panic, commenced, as in 1978, the flurry of emergency measures that inaugurated the second «austerity» regimen within a

period of four years. It is such acts of monumental excess – including of course inflated contracts, «kick-backs», import-licence racketeering, etc – that more fully explain the enormity of the present economic crisis. The structural imbalance in the economy merely set the stage for it.

Since men seldom act in a vacuum, but always in response to the necessities of the situation in which they find themselves, it will now be necessary to consider, however briefly, the social realities that condition the behaviour of Nigeria's leardership. But before doing so, it is important to note another type of structural change which has occured in Nigeria since 1970. This is the rapid increase in the relative size of the public sector, including the increasing use of public enterprises (i.e. statutory corporations and government controlled limited liability companies) as a tool of state intervention in the development process. This development occured in furtherance of the stated determination of the authorities to seize control of the «commanding heights» of the economy in the «quest for purposeful development», and to no longer limit government investment activities to «public corporations and 'dying industries' in which no private company can survive, whilst leaving the virile, expensive and profitable industries to private enterprise» (FGN 1970, p. 289). A quantitative indication of the resultant change is that the public sector's share of the Gross Domestic Product, which had averaged at about 9 % between 1962 and 1965, rose to 39% in 1974 and 55% in 1979 *(4)*. The relevance of this development to the issue under discussion will become more apparent in the context of the next section.

SOCIAL FOUNDATIONS OF ECONOMIC CRISIS

In underdeveloped countries, the state plays, or is generally expected to play a critical role in determining the economic fortunes of the country. In the case of Nigeria, we have indeed seen that the present economic crisis arose in large part from policy errors of omission and commission, as well as various acts of social and political excess, all of which are attributable directly or indirectly to those who controlled the state apparatus during the period in question. Consequently, we see the social foundations of economic crisis as consisting essentially of those characteristics of society which tend to determine the behaviour of the leadership group and set the limits to the efficacy of public policy.

For Nigeria, the obvious starting point for any analysis of the social determinants of political behaviour is the nature of her pluralistic society. The fact that the country is highly heterogenous – in terms of ethnic origin, religion, language, income class, etc.., and the fact that these differences produce social tensions and political conflict, are not particularly important in themselves, as these are common to most pluralistic societies. What is more significant, from the standpoint of political sociology, is that political conflict in the country tends to have a large primordial component to it (EKEH 1971), and is engaged in by participants who by and large appear to share no consensus of values regarding the «rules of the game», the proper range of policy decisions, the legitimate arbiter of

disagreements, etc.. (Cf. ROTHSTEIN 1976), and who as a consequence tend to promote particular rather than general interests (O'CONNELL 1966).

Edward SHILS' (1957) distinction between «primordial ties» and «civil ties», which Peter EKEH (1971, 1975) brilliantly uses to analyse contemporary African politics, is particularly useful in understanding the conduct of public affairs in a country like Nigeria.

EKEH argues that unlike the Western conception of a monolithic public realm sharing the same moral foundation as the private realm, there has developed in contemporary Africa, as a result of the colonial experience, two distinct realms of public consciousness with different moral linkages to the private realm. There is on the one hand the «primordial public» operating on the same moral imperatives as the private realm. Based on primordial groupings, ties, and sentiments, it is the source of the individual's sense of identity and psychological security and the object of his material and other types of support. There is on the other hand an amoral «civic public» based on civil structures: the police, the civil service, the military, etc.. which is historically associated with the colonial administration and which has come to be identified with popular politics in post-colonial Africa. While the individual has developed a keen sense of his rights and benefits from this public, a corresponding sense of duties and obligations to it is lacking. Indeed, the individual may feel perfectly morally justified in taking from the civic public in order to support the primordial public.

What this means in plain language is that an otherwise perfectly honest individual who would not think of stealing one naira of his communal property would feel no qualms whatsoever in embezzling two million naira from the national treasury. The implication of this for national economic development in general is quite sobering in a situation in which, as a hedge against the hazards of rapid social change, political actors feel compelled «to build up financial wealth with which to regulate and render predictable the actions of those with whom they have to deal» (O'CONNELL 1966, p. 136). For public enterprises and like organisations in particular, the implications are equally obvious and disturbing. Given a situation in which political office holders do not generally evince a high degree of aversion to corruption, and in which institutions imposing legal and «competitive» constraints on corrupt activities are weak (CF. JOHNSON 1975), these organizations could very well become no more than convenient avenues – via fraudulent over-capitalization, inflated contracts, etc – through which political actors, in coalition with bureaucrats and their private sector agents, seek to maximize the «corruption revenue» extractable from national income.

Claude AKE (1981, p. 39) makes a similar point when he argues that the continuing efforts of African governments to extend public control over the means of production and the economy in general, ostensibly as a strategy of economic indigenization and decolonization, have thus far done «little or nothing to further economic independence». Instead they have merely served to depersonalize elite exploitation of the masses: «The surplus is not extracted directly by capitalists but by the state in the name of the people, and is subsequently appropriated by the ruling class».

There are also grave implications for economic public policy making of a polity characterized by major social divisions and with a fragmented public consciousness. There is first of all the all-too-familiar tendency of those who control the various arms and institutions of government to see these as perfectly legitimate instruments for diverting collectively owned resources to preferred sectional (primordial) groups *(5)*. More generally, there is the danger that all public rhetoric to the contrary notwithstanding, economic growth and development may become a low priority concern of a government that may have become obsessed with the maintenance of its own authority and of social peace. Indeed growth and development objectives are liable to be pursued in these circumstances only to the extent that they further these other goals (Cf. KILLICK 1976, p. 176). Furthermore, the need to constantly play one group off against another may force the government to adopt sequentially or simultaneously contradictory policies, while the uncertainties created by all these, by an inadequate knowledge of the workings of the economy, and by an unstable international environment, may induce an exceedingly short time horizon in planning, with a consequent bias towards consumptionist policies.

For public enterprises, officially set up to advance the overall economic growth and development of the country, all this may lead to arbitrary and wildly irrational location of industrial plants, gross over-staffing, the routine appointment of unsuitable individuals to management boards, etc...; abuses which have been periodically documented on a large scale in Nigeria by various commission of enquiry, and which could not but have contributed to the present difficulties.

POLICY OPTIONS

Having outlined the nature of the structural origins and social foundations of Nigeria's current economic predicament, we may now consider various alternative approaches for dealing with the crisis. We shall be concerned here only with broad policy issues with implications for the future direction of movement of the country. Without such a broad framework of analysis, much of the type of issues debated in the popular press – e.g. whether and how far the naira should be devalued, whether or not Nigeria should accept the IMF loan, or should remain in OPEC, etc – becomes largely meaningless. For all too often, people may advocate a particular line of economic action, the logical social and political implications of which they would reject. Or in the alternative, a particular economic policy might be urged which is bound to fail, given the existing social and political realities; one then turns around to blame the lack of patriotism of the citizenry or the dearth of honest leadership.

In strictly economic terms, Nigeria's current situation, which is not unlike that of some other less developed countries, may be characterized as one in which aggregate demand greatly exceeds supply, with a consequent deterioration in the balance of payments. However, because of the type of structural rigidities and supply bottlenecks discussed earlier, the excess demand does not necessarily elicit increased supply to satisfy it. On the contrary, given the ultra import bias in the production structure, the

foreign exchange squeeze from the deteriorating balance-of-payments means a reduction in the flow of vital imported inputs, leading to increased unemployment of domestic resources, reduced output, and hence, in the face of the excess demand, to increased inflation.

In principle, the task for short-run stabilization policy is to either reduce demand to the level of supply, increase supply to meet demand, or adopt a combination of both, with a view to eliminating the domestic inflation and improving the balance of payments. However, there is in reality no painless way of doing this. By definition, supply capacity can hardly be altered in the short-run. On the other hand, demand restraint – which is the intent of the typical «austerity» package, is by itself not likely to be of much immediate help. Given the virtual lack of substitutability between export goods, import goods, and non-traded goods, a reduction in demand would not necessarily result in a release of exportable goods with which to improve the external balance. Such improvement would require a deliberate withdrawal of resources from the non-traded goods sector redeployment in export or import-substituting activities, thereby entailing a transitional loss of output and employment (Cf. CROCKETT 1981, p. 59). On the other hand, to the extent that demand restraint improves the balance of payments through a reduction in imports, this, for reasons already stated, would also be at the cost of reduced output and employment.

It is clear then that for any country that has managed to get itself into the position in which Nigeria is now, there must be an adjustment to achieve a balance between aggregate real supply and demand; and there are no easy ways of doing so. It is, however, possible to define three distinct options, each of which has implications for the direction of future development of the economy, and based on the degree of self-reliance sought, and on assumptions about the ability of the political leadership to impose, and of the society to absorb, the attendant costs of adjustment. At opposite ends are the revolutionary and liberal options respectively, and in between is what we might refer to as the moderately radical option.

THE REVOLUTIONARY OPTION

This approch would seek to deal simultaneously with both the problem of external dependence on imported inputs and of the low capacity of the domestic economy to transform its own savings into capital goods. This means in effect attempting to build, largely through a learning-by-doing process and with little reliance on foreign inputs, a sufficiently large capital goods sector over a relatively short period. The popularly held belief about Soviet industrialization in the 1930's conforms to this strategy which, strictly speaking, is the only approach that can be described as «development through self-reliance» (OBI, 1978, p. 7).

In this approach foreign exchange largely becomes irrelevant as a constraint on development, which becomes mainly a question of the ability to extract from the populace whatever amount of savings is required for transformation, through a trial and error method, into the needed volume of capital goods. Clearly the costs that would be entailed by such autarkic

path to development would be such as to require nothing less than a Stalin or a Hitler or a Mao Tse Tung to get the populace to absorb it. Whether such revolutionary leadership is a historical likelihood in the foreseable future for Nigeria is open to question.

THE LIBERAL OPTION

This approach would seek to deal with the supply/demand imbalance mainly through increased capital inflow and with minimal internal adjustments. This implicitly is the position of those who see the solution to the current difficulties either in Nigeria pulling out of OPEC, in the expectation of the increased oil revenues resulting from her consequently greater discretionary control over the price and quantity of her petroleum output, or in the country receiving the IMF loan without the conditional requirement for painful adjustments..

The main problem with this option is that it seeks to indefinitely postpone the evil day of necessary adjustments through expectations that are largely illusory. There are no precedents for expecting to receive the kind of balance of payments assistance Nigeria is asking for without the «conditionalities». As for the possibilities of increased oil earnings from leaving OPEC, the prospects rest on the unrealistic assumptions of an unduly large price and income elasticity of demand for Nigeria's crude; that other OPEC members will not respond to a «price war» started by Nigeria; and «that Nigeria outside OPEC can succeed in becoming a price setter rather than a price taker which she is inside OPEC» (Nwankwo 1982, P.8). Moreover, the general outlook is that the current slump in the world demand for oil may be more than temporary (Ibid, P.9).

THE MODERATELY RADICAL OPTION

While not going so far as to seek near total autarky, this option would entail a decision not only to live within the current level of foreign exchange earnings, including the gradual liquidation of outstanding foreign debts, but also to commence the accumulation of a reasonable margin of reserves from it, as a protection against future fluctuations in earnings. Recognizing the inevitability of painful adjustments in the current circumstances, this option might also entail a decision to forego the IMF loan, in order to retain the initiative in choosing the way and manner of such adjustments, rather than accepting the loan along with patently absurd conditions such as a «shock treatment» type of devaluation and complete import liberalization in the face of huge balance of payments deficits on current account.

No one should however, be under any illusions about the implications of this option. Given the excessively high import intensity of the existing structure of the economy and the prodigal tastes that especially the elite groups have come to acquire, a substantially reduced level of foreign capital inflow, which this option would imply, can only result in an intensification of the present hardships. The added sacrifice would, however, be an acceptable temporary price to pay in the course of moving to eliminate

the accumulated distortions in the economy – through, for instance, the *gradual* devaluation of the naira to a realistic level, the evolution of a sound education system, the adoption of a realistic policy on public enterprises (See OBI 1983), etc...

We believe that a trully dedicated and imaginative leadership that is willing to mount a genuine and sustained attack on the prevailing culture of privilege can so fire the imagination of the general citizenry as to get them to enthusiastically accept the added sacrifice. It is possible, for instance, to devise a set of enforceable «social engineering» policies that would make it impossible, say, for a salary earner in a poor country like Nigeria to aspire to own a Mercedes Benz saloon, or for a businessman living in an opulently furnished mansion worth over ₦ 250,000 and who goes on an annual summer vacation to Europe, to get away with an annual income tax of ₦ 5,000.

CONCLUSIONS

Nigeria has been undergoing severe economic, social, and political dislocation following the slump in the world oil market that commenced in 1981. The economy was rendered highly vulnerable to such externally induced instability partly by structural distortions that have been accumulating since the early 1970's, and partly by various acts of gross recklesssness on the part of the leadership group, which reckless acts can substantially be ascribed to the peculiar nature of the country's pluralistic society. There are no easy options open to Nigeria in meeting the challenges of the present crisis. We believe, however, that even though public policy in the prevailing social and political circumstances must of necessity respond to and seek to adjudicate between competing group pressures, it is possible for a genuinely dedicated leadership to implement a radical but realistic set of policies in the inevitable task of structural readjustment of the economy.

FOOTNOTES

1. The drop in petroleum earnings from projected levels beginning in 1975 caused a scaling down of this new level. However, even if the reduced nominal expenditure level amounts to a projected effective programme of only about ₦ 25 billion (See Adeniyi 1978, p. 15) this would still be a stupendous leap from the Second Plan figure.
2. Resulting in a sharp drop in external reserves from ₦ 3.09 billion in December, 1977 to ₦ 1.64 billion in June, 1978 (See CBN 1980, p. 81).
3. For example, most Nigerian universities did not receive any foreign journals in 1978.
4. The corresponding figures in respect of total investment are 40%, 62%, and 66% respectively. See Presidential Commission (1981, pp. 58–59).
5. Instances, are the example cited in O'Connell (1966, p. 137) regarding the siting of three federal secondary schools during the First Republic; and, in more recent times, the economically arbitrary yet highly politically discriminatory manner in which strategic industries – steel mills, petrochemicals, etc... are being allocated.

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