REORGANIZING NIGERIA'S ECONOMY IN THE 21ST CENTURY: PROBLEMS AND PROSPECTS

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Abstract

The economy of Nigeria has remained underdeveloped from the pre-independence period into the First Republic and beyond. For instance, the single crop economies in the Northern and Eastern Region left both zones vulnerable to price fluctuation in the world market than the more diversifying economies of the Western Region; powerful external control by the multi-national companies adapted themselves to the changes in the control of political powers in the country and the indigenization exercise of military regimes which did not lead to equitable distribution of business among the population, but rather to a concentration of all transactions in the hands of a few industrial barons and others who acted as fronts for the Multi-national companies. Even the oil boom since 1970 did not change that aspect of the external control of the economy. The greatest dividend Nigeria got from the industry was the oil revenue and the economy therefore continued to be dependent and to rely on foreign capital for development. Thus the colonial state, nationalist, military successors and democratic leaders left most aspects of the economy including oil, export and the limited manufacturing sector to be dominated by Multi-national companies and their Nigerian representatives which further depressed the economy. The Study employed chronological and thematic method of discourse and largely secondary sources were used in the work. This paper however, attempts to seek out how restructuring of the economy will enhance stable and viable economic development in Nigeria and concludes that restructuring should provide the necessary foundational Meta-level

socio-political-governance architecture for the emergence and sustainability of a secured and prosperous economy

Key Words: *Economy, Oil, Multi-nationals, Revenue, Development*

Introduction

The unacceptable state of Nigeria's economy is most galling given Nigeria's enormous endowments of natural and human resources. This is more so given the fact that Asian countries, such as Singapore and Malaysia, with similar colonial heritage and attributes attendant thereto, and similar natural resource endowments, have recorded significant successes in the development of their economies since 1965 when they were at par or even behind Nigeria.[1] Thus, if the economic fortunes of Nigeria must improve, then the perennial problems of the exchange rates, inflation, unemployment, corruption and low capacity utilization must be restructured. In the post-Independence era, the nascent Nigerian state though eager to develop, was faced with many challenges. Economically, the gap between the rich and the poor, though not quite visible, began to appear. A class of traders, commission agents and contractors started to appear. The manufacturing, trading and services sub-sectors were still controlled by non-Nigerians. Most of the big companies were branches of multi nationals with no sign of Nigerianisation until the mid-1960s when some Nigerians began to occupy senior positions in a few multinational companies.[2]

Before the oil-boom in the 1970s, the economy was characterized by the predominance of subsistence and commercial activities; narrow disarticulated production base, with ill-adapted technology; neglected informal sector; lopsided development due to the bias of public policies; openness and excessive dependence on external factor inputs; continuous siphoning of surpluses from the economy; and weak institutional capabilities. The various policies of the pro-oil boom era "failed" to address these identified features of the economy.[3] Be that as it may, the Nigerian economy appeared to have performed well during the 1960s as shown by GDP growth rates, rates of inflation and unemployment rates.[4] During the period, agriculture was the main stay of the economy despite fluctuations in export prices. The oil boom period witnessed remarkable

growth rates. Yet, the boom had no impact on the real sector since the industrial sector remained relatively weak.

The windfall from oil appeared not to have been utilized in shoring up the industrial sector. Therefore, when the recession of the 1980s set in, the economy found itself unable to absorb the shocks from declining oil prices. The stabilization and austerity measures of the Shehu Shagari regime (1979-1983) did not arrest the deepening crisis. The balance of payment did not improve. There was an increase in external loans which further accelerated the debt over-hang situation. It was clear that the economy was suffering from stagflation.[5] The structure of the economy made it vulnerable to external shocks and policies. The problems were so severe that restructuring of the economy was inevitable. The Nigerian economy was not able to create enough employment opportunities for citizens who were able and willing to work. Moreover, an adequate environment was not created for self-employment.

Nigeria's economy remained such that real wages could not meet basic requirements. Social services deteriorated at an alarming rate and the real sector was not linked to the so-called boom in the financial sector. The recovery was yet to emerge, even by the end of the period under review.[6] Both economic and political structures are defective, resulting in weak economic management system which, in turn, prevent all levels of the Nigerian government- federal, states and local governments from operating at optimal levels. Faced with the reality of non-performance, Nigerians have clamored for the restructuring of the economy towards a more diversified structure.[7] In tandem with this position, Falana cautioned thus: "it is high time the champions of political restructuring were made to realize that the masses of our people are demanding socio-economic restructuring which will replace the peripheral capitalist system, which has consigned them to poverty and misery."[8]

CONCEPTUAL CLARIFICATIONS

Restructuring

The simple meaning that comes to the mind, for restructuring, is to change the status of something and make it more functional. Restructure is the transformation from one representation form to another at the same relative abstraction level, while preserving the subject system`s external behavior.[9]Restructuring is about transforming the respective roles of the federal, state and local governments to perform more efficiently in matters of territorial as well as economic governance.[10]There are several other definitions of restructuring but the central meaning in all of them is that it is about altering the way something is structured in order to make it more functional or effective. The aim is to make it more effective and profitable, hence, it is not in doubt what exactly restructuring means as a concept. Former Military Head of State, Ibrahim Babangida noted that; "Restructuring will help to reposition our mindset as we generate new ideas and initiatives that would make our union worthwhile and more functional based on our comparative advantages".[11]It comes back to say that restructuring is a necessary process to bring a failing enterprise back to life and put it back on the path of profitability.

Economy

Specifically, economy refers to the relationship between production, trade and the supply of money in a particular country or region. Such would involve financial, commercial, budgetary and productive engagements meant to help and sustain a people. It is important to note that an economy could be created, managed, stimulated and boosted or reduced and kept down over a given time through certain policies. On a larger scale, economy involves the collective expenses, investment, productivity, importation and exportation made by a group or country, not over-looking the immediate and later well-being or condition of the generality of its members or citizens.[12] How a society structures its economic system is largely a political and social issues. The political and legal structure of a society will govern how wealth can be accumulated, how wealth and resources are distributed, and the manner of competition permitted between different participants in the economy.[13]

Nigerian Economy In Retrospect

The Nigerian economy has had a truncated history. Before independence in 1960, the economy was characterized by the dominance of exports and commercial activities. There was no viable industrial sector. In the post-Independence era, 1960-70, the Gross Domestic Product (GDP) recorded 3.1 per cent growth annually.[14]During that period, agriculture continued as the mainstay of the economy. In spite of fluctuations in world prices,

agriculture contributed about 65 per cent to GDP and represented almost 70 per cent of total exports.[15] Agriculture provided the foreign exchange that was utilized in importing raw materials and capital goods. The peasant farmers produced enough to feed the entire population. The various Marketing Boards generated much revenue, the surplus of which was used by government to develop the basic infrastructure needed for long term development. The main thrust of policy was to maximize the benefits of the export-led development strategy.[16]

Raw materials, comprising agricultural produce and minerals were exported to the industrialized nations. The industrial sector continued on the pioneer industries schemes of the 1950s. Import Substitution Industrialization (ISI) strategy was adopted.[17]In the short run, jobs were created, although the industries were to some extent unnecessarily protected by government. Generally, the finished products of the protected industries were less competitive compared with their foreign counterparts. Of course, that did not decrease domestic demand for them. During this period, the rates of inflation, unemployment and productivity remained relatively acceptable. The economy never experienced double-digit inflation during the 1960s. By 1976, however, the inflation rate stood at 23 per cent. Unemployment rates averaged almost 3 per cent for the period 1976-1998.[18] Policy favoured tight demand management. Increased productivity kept prices reasonably stable within the economy. The contribution of agriculture to GDP, which was 63 percent in 1960, declined to 34 per cent in 1988, not because the industrial sector increased its share but due to neglect of the agricultural sector. [19]

During the oil boom era, the agricultural sector was most hit. Rural urban migration increased, as people attempted to reap or benefit from the windfall from oil. Production of agricultural commodities for export declined. Food production became a problem.[20] Starting from 1974, the economy became a net importer of basic foods. Huge foreign exchange earnings were utilized in importing food. Nonetheless, prices of foodstuff remained high. Roughly in 1970-78, GDP grew positively by 6.2 per cent annually - a remarkable growth. However, in the 1980s, GDP had negative growth rates. In the period 1988-1997 which constitutes the period of structural adjustment and economic liberalization, the GDP responded to economic adjustment policies and grew at a positive rate of 4.0. In the years after independence, industry and manufacturing sectors had positive growth rates except for the period, 1980-1988 when industry and manufacturing grew negatively by - 3.2 per cent and - 2.9 per cent respectively. The growth of agriculture for the period, 1970-78 was unsatisfactory. The boom in the oil sector lured labour away from the rural sector to urban centres. The growth rate of GDP was quite high, such that a growth rate of 10.5 per cent in 1976 was considered unimpressive. Government expenditure fueled the inflation rate.[21]

It was therefore not surprising that by 1976, the economy had become a net importer of basic food items and food import alone amounted up to 15 percent of the country's budget. The apparent increase in industry and manufacturing from 1978 to 1988, was due toactivities in the mining sub-sector, especially petroleum. Capital formation in the economy has not been satisfactory.[22]Corruption, theft, real estate speculation, outright looting of government treasury and other fraudulent practices prevailed.[23] The State, on its own, intensified the creation of a business class that depended solely on government contracts rather than on production.

During the oil boom in the 1970s, the private sector remained weak. The exchange rate regime encouraged imports. The bulk of the imported goods included rice, meat, cereal and sugar, among others which were hitherto produced in the country prior to the oil boom of the 1970s. The economy was heavily dependent on imports; almost everything was imported, from toothpicks to toothpaste dispensers.[24] There was no serious attempt to invest the windfall from oil in viable projects. Except for the huge expenditures on education and construction of dual carriage highways in some parts of the country, Nigeria would have had nothing to show for the oil boom era. The industrial sector also depended on imported inputs, machinery and raw materials. Hence, the so-called manufacturing and mining industries (using 1972 as the base year), which indicate remarkable increases, appear misleading.[25]Despite the oil boom, the private sector remained weak. The existing macroeconomic policies continued to encourage consumption rather than production. The economy was consumed what she did not produce.Between 1978 and 1986, except for 1979 and 1985 when GDP showed positive growth, the economy

continued to register negative growth rates.There was also high inflation, severe balance of payments disequilibria, high unemployment rate and fiscal imbalance.[26]

During structural adjustmentof General Ibrahim Babangida regime, 1985-1993, the private sector was supposed to serve as an engine of growth. This is because embarking on any veritable economic structural adjustment regime may not be achieved devoid of the active participation of the engine of growth- the private sector.Rather sadly, after eight years of structural adjustment measures, the private sector was not able to respond adequately to the desire for increased production, employment and stable prices. The share of manufacturing in GDP was still low, while capacity utilization was a little above 30 per cent.[27]Some gains were undoubtedly achieved during the period of Structural Adjustment Programme (SAP). However, the programme brought about number of problems, some of which were unbearable for the populace. Actually, SAP was intended to be a long-term programme which would gradually restructure the economy and set it on the path of stability and sustainable growth.Unfortunately, the operators of the programme lacked commitment to its long-term achievable goals. The programme was hastily implemented and this brought about endemic inflation, shortage of foreign exchange, increased unemployment, low capacity utilization, fiscal deficit and an overall degeneration of the poverty situation in the country.[28]

The dual exchange rate regime was introduced in 1995 as an attempt to redress the continued depreciation of the domestic currency. The essence was to achieve a stable and realistic value for the Naira. During the period of guided deregulation, and despite efforts by government and the private sector to redress the situation, there was still high unemployment. The published unemployment rates were of 3.2 per cent in 1994, 3.8 per cent in 1996, 2.6 per cent in 1997, 14 per cent in 1998 and 18.8 per cent in 2017. The table below tells the story.[29]

PUBLISHED UNEMPLOYMENT RATES

PERCENTAGE	YEAR
3.2	1994
3.8	1996
2.6	1997
14	1998
18.8	2017

Challenges

The challenges confronting the Nigerian economy in the 21st Century are diverse and enormous. The major causes of the decline in Nigeria's economic fortunes have been political instability and bad governance, most especially in the 1990s. Military rule in Nigeria, as has been the case in most other countries with prolonged military rule, led to economic and social stagnation and decline.[30] Similarly, the advent of an elected government at the dawn of the 21st Century after almost three decades of military rule should afford Nigeria the opportunity to arrest the decline in her economic development and embark on economic revival.

In Nigeria, there exists an uneven wealth distribution, with a huge gap between the very few extra wealthy and the poor masses. The wealth resides in the hands of a few who mostly are not engaged in productive ventures. These few have access to government contracts which are consumptive and not productive in nature.[31] This strategy cannot eliminate poverty or create economic development. Economic reforms in developing countries are designed to stimulate the economy and especially help the poor, unfortunately, these reforms have not met the expectations of the populace. [32]

Economic reforms like the Austerity Measures Program, Structural Adjustment Program (SAP), and the National Economic Empowerment and Development Strategy (NEEDS), have made marginal achievements, but have not brought the desired succor to the masses.[33] For instance, the reforms are supposed to improve basic infrastructure such as electricity generation, portable water and roads, but unfortunately, these public utilities are still inefficient. [34]

The judiciary in Nigeria is also having some challenges in meeting the expectations of the populace. The judiciary in most developed societies is the last hope of the populace for justice and adjudication. It does appear that over the years, the judiciary in Nigeria has lived up to its billing in interpreting and adjudicating the law in accordance with the provisions of the constitution.[35] They have also resolves numerous political disputes, but are also facing challenges with corruption and manipulation by the rich who fragrantly breaks law with impunity. This creates a situation where the rich elites are believed to be untouchable and above the law; this affects the psyche and value system of the people. A society lacking in good values and an equitable justice system presents an environment for anarchy and socio-economic problems.[36]

The uncertainty and volatility which exists in Nigeria creates a fear of the future in the minds of people which pushes them to indulge in the illicit acquisition of funds and corrupt practices in almost all sectors. In addition, corruption tops the list of the major economic problems in Nigeria for some years now. Corruption takes many forms and infiltrates all political institutions and economic sectors. Hardly will you find someone holding a government office that is void of corruption of corruption. A lot of Nigerians are corrupt, both leaders and citizens.[37]

Furthermore, the direction of trade seems to confirm Nigeria's dependence on Western Europe and North America. Nigeria's exports go to the same sources where her imports come from.The devaluation of the Naira – Nigeria's currency has caused a negative effect on the nation's economy. It is one of the **major economic problems in Nigeria,** when the Naira gets devalued, it allows other foreign currencies to strengthen against it, causing it to lose its current value.[38]The recent introduction of strict importation policy may be a way of reducing the act of importation of goods, but it is also one of the **major economic problems in Nigeria today.** This is because the country has a slow pace in the manufacturing of goods to balance the less importation. [39]

Nigeria is also a country that have total dependence on oil as its major source of revenue generation. When the price of crude oil went on decline, the country began to experience more hardship. Furthermore, Nigeria is in a "vulnerable" state because of its reliance on crude oil, which may not remain pricey for long. This is one of the**major economic problems in Nigeria today.**[40] Corruption top the list of the**major economic problems in Nigeria** for some years now. Hardly will you find someone holding a government office that is void of corruption. A lot of Nigerians are corrupt, both leaders and citizens.[41]

Conclusion/Recommendations

This paper is of the view that government cannot solve any of the problems confronting the country without restructuring.While other considerations may be important, Soludo observes that:

> *the overarching case for restructuring is economic: restructuring should provide the necessary foundational Meta-level socio-political-governance architecture for the emergence and sustainability of a secured and prosperous post-oil economy.*[42]

Thus, to translate the agenda from declarations to action, we need to understand the basis for inertia on the part of political actors and hence focus on the incentive structure and organization/mobilization required to make it happen.In the 21st Century, it is necessary to find ways and means to ensure that Japan imports some of its raw material requirements and crude petroleum from Nigeria. Apart from the fact that Japan is an industrial giant, it is also vital for Nigeria to enlarge her trading partners. There is need to open up new markets especially in the Far East, Pacific and the Caribbean as well as in promising African countries like South Africa.

The end of military rule, the advent of an elected civilian administration, the renewed national commitment to the nation's development coupled

with the country's natural and human endowments provide the bases for optimism that the Administration will succeed in the efforts to attract foreign investment to hasten the process of economic revival in Nigeria. However, the issue of Nigeria's debt burden must be satisfactorily resolved to enable the FGN meet the purpose of providing required infrastructure, restructuring the economy and making the required investment in science and technology to enable the economy be competitive in the 21st Century. In addition, those policies and practices which hitherto hindered investment in the Nigerian economy must be removed.

The process of creating linkages between the productive sectors of the economy through the use of knowledge so as to facilitate the formulation of policies which will promote the adaptation and use of science and technology in production can then be meaningfully implemented. Through a combination of investment in the application of biological, mechanical and information technology (IT), production in the agro allied sector can be enhanced. The formulation of policies to ensure maximum use of the results of research findings and their delivery to farmers through the efficient use of IT is imperative to enhance productivity in the agriculture sector.

There is no doubt that Nigeria is endowed with enormous human and natural resources which if efficiently harnessed and managed will ensure that Nigeria's immense potentials are realized.These raw materials and natural resources, with the application of appropriate technology and production processes, will promote linkages between her raw and natural resources, production capability, and industry. It is the continued lack of this linkage between the oil and gas sector and industry which has largely been responsible for the oil and gas sector being exogenous to the rest of the economy. To promote this linkage, the Administration must implement as promptly as possible its proposal to deregulate the downstream sector of the oil and gas industry. The essential ingredients for success exist. What is required is the will to succeed; and the prognosis is that it exists and will continue to impact positively on the process of economic revival in Nigeria.

Restructuring is not just a political agitation, it is the foundational plan for Nigeria's future prosperity without oil. The contradictions of the old, oil-based economy vis-a-vis the population and geographical pressures are swirling and the challenge of a new institutional framework to lead to emergence of the new economy is urgent. We have a choice of pre-emptive, proactive action to orchestrate a new productive (rather than sharing/consumption) structure or wait until change is forced upon us in a most chaotic manner. The Nigerian government must also eschew all forms of corruption as it can quickly ruin the reputation of the government and may create avenues for strife. To maintain a stable and secureenvironment, the administration must provide an equitable justice system and most of all provide essential services to the populace. The words of General Colin Powell succinctly capture the essence of this point that "endeavors succeed or fail because of the people involved and only by attracting the best people will you accomplish great deeds.''[43]

The FGN should have a balanced appropriation policy that must be well nested in the national strategy for economic development and nation building. The diversification of the Nigerian economy should be of the utmost importance to avoid over-dependence on oil, which is a finite commodity. Investments should be directed to revamping and expanding the moribund industrial base to address unemployment. The pay-off of this strategy will not only address the problem of unemployed youth but will substantially increase productivity, reduce importation and reduce poverty in the country.A growing population in a stable environment with balanced wealth distribution ensures potential sustainability for economic growth.[44] The FGN also has to invest more in education. A well informed and educated mind is the best security against contagion of folly and vice.[45]

In order to harness the enormous natural resources with which the country is endowed, such as iron ore, coal, tin, limestone, cotton among others, the FGN has to reverse the trend of large imports of most finished products into the country and focus on how to boost local production.[46] For example, the south East zone will thrive with crude oil and iron ore from Abia and Imo, as well as natural gas from Enugu, and Anambra. The South West will prosper with bauxite from Ekiti, crude oil from Lagos, and bitumen and oil from Ondo. In the South-South, processing uranium in AkwaIbom, Bayelsa, and Cross River will be added to crude oil deposits which exist abundantly in AkwaIbom, Bayelsa, Delta, Edo and River state.

A productive industrial sector would create employment for the youths, which will reduce poverty and the multiple social problems in the country. In addition, if the industries are sited in rural areas; it can also reduce the movement of people from rural to urban areas in search of jobs.

To avert the ugly economic trend, the government can embark on construction of infrastructure such as roads and bridges linking agro-centres, dams for irrigation and railway, among others, which stimulate the economy. Construction spurs a plethora of other activities across the economic and social sector. These activities, if well-coordinated with the state government and foreign donor agencies, can substantially provide huge benefits at the local, regional and national level and would facilitate the movement of goods, services and people. In addition, building of these infrastructures also creates jobs. Good infrastructure induces economic activity and opens new markets which are necessary inputs to enhance economic productivity. The development of modern infrastructure and functional public service systems are the keys to Nigeria's economic development.

The government may need to restructure the country's monetary and fiscal policies. Monetary policies are usually concerned with the conditions for the use of money supply and/or interest rates to influence the level of economic activity. Fiscal policies involve the use of taxes and changes in government expenditure to influence the level of economic activity.[47] To avoid adverse effects on the middle class and the populace, the FGN may consider a phased removal of subsidizes to reduce the effect on the populace. In addition to that, the FGN may consider using the subsidy funds to revamp the moribund industrial sector which will create the much desired jobs. The government should embark on construction of infrastructure such as roads and bridges linking agro-centers, dams for irrigation and railway, among others, which stimulates the economy. A working population provides government stability, and enables it to generate income to sustain and expand the services it renders to the populace.[48]

Institutional reforms are another aspect the Federal Government of Nigeria must try to embark on.Institutional checks give credibility to governance. A strong institutional framework is the teeth and strength of any government as they are responsible for implementing government policies. The anti-graft institutions in Nigeria are still relatively new and weak, thus are vulnerable to manipulation by elected officials. There exists a capacity gap in these institutions. They are also not adequately equipped to perform their roles. To correct this anomaly, anti-graft institutions, such as the Economic Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC), should be reformed to meet the expectations of the populace and their operations should be free of government interference. General James Cartwright of the U.S Marine Corps succinctly captured the essence of these thoughts with the statement, "it is not about you anymore. It is about the institution"[49] Thus economic restructuring which must be on the oasis of fairness and equality would increase the public trust and legitimacy of the democratic government, and curb economic problems in Nigeria.[50]

End Notes

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