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Globalization And The Challenge Of Development In Nigeria

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ABSTRACT

The paper attempts to examine the impact of globalization to the development process Nigeria. It analysis the political economy context of the process as well as some economic and development policies of the concept. The paper examines various scholars of thoughts which necessitated the consideration of structural functionalism and new Marxism theories as they apply to the study. If was discovered that there are several problems inherent in globalization as well as the economic policies of the concept in Nigeria which has impacted negatively to the development of the country, it is recommended that the country must re-define her development strategy from the current extensive to an intensive and more diversified growth pattern.

Introduction

In the context of the peculiarities of third world countries, political economy can not be over-emphasized. Unlike traditional economics, political economy is concerned with the economic, social and institutional mechanism, public and private, necessary for bringing about rapid and large-scale improvement in the levels of living for the masses of poverty-stricken, malnourished and illiterate Nigeria. Thus, we are concerned with the economic and political processes necessary for effecting rapid structural and institutional transformations of our entire country in a manner that will be in a most sufficient way, bringing the fruits of economic progress to the broadest segment of our population. The recent experience of Nigeria and the background to this paper have posed questions about the understanding our leaders and hence their ability to come to grip with the dynamics of political economy of the country as envisioned in the countries various development platforms. Hence, no meaningful achievement has been realized despite the massive inflow of funds from the sale of oil for over a period nearing three decades. During this period, Nigeria's public policy consistency was anathema, corruption, bad government, social insecurity, unstable political economy and hence a free and *laissez fair* environment for rent seekers and rent seeking behaviour were the norm. It was in this sorry state of affairs that Nigeria discovered that the fund situation in the country could no longer support the unbridled profligacy of succeeding regimes and hence the first touch of the many 'fingers' of globalization was the Structural Adjustment Programme and its several branches. The state of affairs was to create its own and deepened existing conflict of development in the country, some of which will take generations to resolve. Some of the attempts to resolve these conflicts manifested in the Structural Adjustment Programme and some of its programmes, such as privatization, deregulation, liberalization, poverty eradication or alleviation policies, resource mobilization policies, etc. It was in the midst of all these that the 'independently propelled train' called globalization entered. The object of this paper is therefore two-fold: firstly, to show that globalization in Nigeria as in other developing countries created socio-economic development conflict by showing the weakness of previously adopted platforms and tools for socio-economic development conflict resolution, i.e. privatization has faire in the face of globalization that appears indifferent to the social conflict on the ground and the one it has generated. To address these issues, therefore, the next section examines globalization and political economy within the context of a developing economy and it addresses some of its imports for the social welfare function and tools for socio-economic development. Section three of this chapter examines privatization in its wider context, its objectives and instruments, queries the application and examines whether the proper tool would not been de-monopolization; the next section, further examines this theme by analyzing the experiences of Nigeria. Since this

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policy was consequent to existing policies, the impediments created by these policies and hence to privatization policy were examined. Section five examines the justifications and pitfalls of privatizations and de-monopolization and the final section examines the way forward in the face of globalization for Nigeria and developing country in general.

Globalization and Political Economy

Since the end of the cold war in the late 1980's, the term globalization assumed a greater profile in political, economic, policy and popular discourse. As noted elsewhere, globalization is a complex and contested notion (Obi, 2000:49). While there are those who understand globalization as a (inevitable) transformatory capitalist project, and those who argue that it is not a uniform process as it has differential impacts across the world. Ake (1995:22) captures the contradictory nature of globalization by observing that:

> It uniformalizes and diversifies, concentrates and decentres,
>
> It universalizes but also engenders particularities, it complexifies and simplifies. Always it is mediated by historical specificities.

In the context of this study, emphasis is on 'neoliberal economic globalization' (Gills, 2000:7), that is in real terms the globalization of capitalism across national borders, drawing in all parts of the world into a single logic of market-based global accumulation. While this process was given added impetus with the information and communications technology revolution, which accelerated, and removed all national, cultural and geographical barriers to the trans-global inequalities, and marginalized the poorer parts of the world, particularly Africa. In this manner, globalization has been implicated in the conflicts and crises in the continent, as its structures and processes seek sources of cheap energy, raw materials, and markets.

It can also be perceived as nation's total transformation process of which one of the most important vehicles can be regarded as economic or, at least, as a process whose primary driving force is economic. At the heart of globalization can be found greater mobility of capital, direct and portfolio investments, changes in production processes and the new forms of technology (particularly information technology) that have given impetus to increased spatial freedom while at the same time facilitating and broadcasting the freedom. Further, the world has increasingly become a single integrated market, in which deregulation and liberalization work in the service of free trade. These processes have called to question *the role nation-states, nation governments intra-border regulatory framework, and their public spending programmes* (*including social welfare spending*) in a number of ways.

A further intensification of this process has been attributed to conditions favourable to international business or corporate agenda of transnational agencies in which corporate capital articulated its demand for 'business-friendly environments'. Such environments are places with low tax, regulation and low-cost labour, Bangalore, South-East Asia, now India, is reaping the fruit of this type of environment. Such demands are backed by 'capital flight' as well as the reality or threat of relocating investments, industrial and commercial processes outside one's country (between Nigeria and South Africa, early in this decade many outfits relocated from the country to South Africa). This vehicle is further propelled by what is 'received' as 'global economic wisdom' by supra-national and economy dissemination organizations and agencies, such as the International Monetary Fund (IMF), World Bank and the World Trade Organization (WTO) (see Deacon et al.., 1997). Agendas and policies such as 'Structural Adjustment Programme' (SAP) have tended to reinforce the vision of minimal government or *laissez-fair* mode of economic organization. These platforms have focused mainly on reducing levels of public spending and borrowing. In developing countries, IMF, IBRD and WTO have remained in the forefront of the propagation of globalization. Therefore, there has been a consistent and international thread of political economy support for this vision of a global world of free trade. Furthermore, neo-liberal political economy ideology, which began with the work of Mckinnon (1973, et al.), has also been influential but its effect has been particular as basis for the formulation of macroeconomic policies. In the first world, the new right or reformulated left has taken hold of governments, so that governments not only rolled back the strong hands of the states, but also used (indeed like the IMF and World Bank) the state (and public expenditures) to create and enforce the conditions of free markets and 'flexible' labour market (Jessop, 1998).

This transformational process as well as the changing political economy have had implications for the way in which welfare states are viewed and run. In fact, the new global economy has transformed the form and the ways of typical welfare states. Policies of economic and social management have become unsustainable by national governments in the face of deregulated capitalism.

A number of studies have highlighted continuing divergences in national welfare states, despite evidence that international pressures on national governments are

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increasing. Esping-Andersen (1996, p. 2) conclude that 'global economic competition does contribute to narrowing policy choice' but that 'standard accounts' are exaggerated and risk being misleading. Besides, the diversity of welfare states speaks against too much generalization. While accepting the shifting economic alignment towards greater global integration, such studies indicate the continuing importance of national politics and institutional arrangements for choices over the shape, direction and character of welfare policies. Other reasons why we should not exaggerate the degree to which global forces overdetermine the fate of national welfare states, include the fact that political and institutional mechanisms of interest representation and political consensus building matter tremendously in terms of managing welfare, as well as employment and growth objectives (Esping-Andersen, 1996:6). In addition, Hirst and Thompson (1999) argued that welfare states are under intense pressure on costs and types of services for a number of reasons which include, ageing population, high rates of family break-up, rising costs and complexity of health care, and increasing diversification and professionalization of services rather than globalization. They argued that, of these reasons, the openness of the national economy to external shocks may neither be the principal one nor a new factor in propelling the new approach to socio-economic development. Globalization to them, therefore has not eliminated the scope for extensive welfare, and even within the constraints of the countries, states still have clear options if they have the political resources.

There are, then, substantial differences of opinion about the scale and consequences of socio-economic configurations of policies and realignment of positions. Nevertheless, these arguments share a common view of the globalization/social welfare encounter as being a matter of understanding the relationship between the economy and national welfare states. Globalization might also make us more attentive to the diversity of the politics and forms of social welfare. Social welfare is the focus of expand their social welfare functions by enlarging government direct presence in areas such as education, public health and other welfare provisions. Not all of these political tendencies centre on the state. However, many involve non-governmental organizations and other social actors in welfare systems.

Privatization Deregulation and Demonopolization in the Wider Policy Context

Privatization, deregulation and demonopolization can be seen as part of a wider policy response (if not always conscious strategy) in the restructuring of the relationship between state, market and society. They have characterized the political economy of various countries since the early 1980s (OECD, 1992). The restructuring involved in this process are usually multidimensional, and their forms may be summarized as follows:

Budgetary squeeze (or even contraction in some sectors) which has had a direct impact on the scale of resources and of state personnel.

- Deregulation, a many-layered phenomenon comprising, for example, the dismantling of controls (notably in the currency markets and over prices), the reduction of administrative formalities (often in planning), and the simplification of administrative procedures;
- Liberalization, or the breaking up of monopolistic or dominant market positions to encourages and facilitate greater contestability or entity into the market (notably in markets and in the transport and telecommunications sectors);
- Financial market modernization and the creation of new financial instruments so ensure growth, greater transparency and increased efficiency;
- The creation and strengthening of more effective competition policy;
- Marketization/commercialization-terms which mean the introduction of competitive forces into the purchases and sales of public goods and the provision of public services;
- Customization – the pressures to see citizens as clients whose needs (and not those of the suppliers) should be viewed as critical;
- The introduction of new management techniques and organizational structures, often borrowed from the private sector;
- De-centralization – the enforced or voluntary devolution of administrative and political authority and implementation to elected local governments. The UK is a glaring exception to the general rule, since it has experienced a process of rapid and brutal centralization. In some cases, a desire by central governments to reduce their financial commitments by transferring service responsibilities to the local level is legitimized in the name of strengthening local democracy;
- De-concentration, which is the devolution of authority down to non-elected state officials at the local or regional level; and
- Diffusion – a policy of transferring to semi-autonomous agencies, appointed by the government, or to voluntary or charitable organizations, tasks previously managed by central state administrators.

Privatization is therefore part of a wider package of reducing the size and reshaping the role of the central state, of

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allocating resources and wealth differently, and of providing collective goods in a different fashion. In some cases, this package is ideologically inspired by governments; in others, it represents merely a reluctant managerial adjustment to change economic and financial circumstances. In some countries, privatization is intimately linked with one or more of these strands of the general reform programme – notably deregulation and liberalization. In others, the reform programme may have quite distinctive features as the result of specific pressures: the administrative adjustment to asymmetrical regionalization as in Canada and Span; the tightening-up of rules in the public sector to combat corruption and absenteeism; the creation of new public institutions to adopt to radical federalization processes. As a result, the total public sector reform package displays wide variations across countries. In Great Britain, a balance was struck between "zealous privatization programme, liberalization and centralization, whereas in France liberalization and privatization were combined with decentralization. In Nigeria, privatization were as a policy has been adopted rather than the wider policy of demonopolisation which is more likely to break existing public sector monopoly, create or reap the desired monopoly and a level playing ground for private sector participation in industries. Originally, the justification for government's management of the economy through regulatory policies, using the enlarged finances was perceived to have had considerable influence on the pace of development in the national economy. Consequently, the government expanded into all feasible and unfeasible areas both in the short-and long-term. But the precarious fiscal position of government which first emerged in the 1980s, coupled with the poor financial performance of the established public enterprises, provided the first basis for policy makers to want to opt for deregulatory policies (the first serious attempt came with the Structural Adjustment Programmes in the mid 80s). A major component of the SAP was privatization and reduction in the size of government. The perceived failure of the SAPs in the 1990s was to slow down the pace of the adoption of these policies. However, the acceleration of the globalization process which had started earlier was to revive all the strands and pull towards privatization.

However, the link between the public and private sectors in the process of securing a desirable pace of economic growth and development the world over is usually explained by theories of the role of the state and, more recently, governance has also become important in economic development. The paths policy were also affected by these received theories of development *vis-à-vis* the role of government, the private sector, etc. These theories to some extent were able to shape the course of Nigeria's regulatory and deregulatory policies.

The Role of Public and Private Sectors, Public Policy and Economic Development

Like any other developing country, Nigeria's development process can be said to be replete with different magnitudes of socio-economic conflict. A part from poverty, which has become endemic, the public policy has created public monopolies in all aspect of the country's economic life. Public sector gained extensively in the ladder of importance whereas the private sector became secondary. As a by-product, all public institutions and functionaries assumed the position of 'the principal rather than the agents'. In order to maintain and sustain the hegemony of public over the private sector, the calculus of the people and that of civil society were subjugated to that of the ruler/governments. In the absence of democratic governance, these were to manifest into other constructs that evolved and were nurtured by the hegemonic structure of government and its paraphernalia. These include:

- Dominate groups and dominant interests, as against national interest;
- Ethnicity's culture of entrenchment;
- Employee's interests; and
- Class/workers interests.

These became the platform that drives the formulation, adoption and acceptability of socio-economic policies. The implications of these on policies were, among others, to remove the rationality and the objective that economic policy process requires. It also removed the flexibility and introduced rigidity into the policy process and made policy changes much more difficult.

Other conflict points include the non-resolution of proper role of private and public sector in the economic development processes that underscore every economic system, socio-economic development revolves around the character, structure, pattern and evolution of interpersonal relations of production, distribution and utilization. Nonetheless, within the complications (theoretical and empirical) of economic conceptions, 'economic growth' and 'economic development' (increases in economic indicators reinforced by additional changes in the structural, technical and institutional arrangements by which economic indicators are produced) could go together, at least, up to the point where a country looses its capacity to adopt to change circumstances (Kindleberger, 1965:3). Nigeria could have achieved significant economic growth without having economic development but for the lack of deep ideological position as the pillar upon which the country's socio-economic policies are predicated. Public policy in the country was predicated on very for successful socio-economic transformation. It is therefore imperative that

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Nigeria should seek to break down the barriers to understanding the purpose of policy both in the short and the long-run if economic development is to be achieved. Any tendency in policy that can alienate some segment of the society through conflict must be understood by policy makers, if they are to succeed.

Commercialization and Privatization Policy: Socio-Economic Justification

The socio-economic rationale for the commercialization and privatization of public enterprises in Nigeria derives from three main considerations which in turn derives from the precarious socio-economic conditions in such countries. The first, which is macroeconomic in nature, centres on the need for restoration of fiscal balance in the light of the inflationary impact of the country's excessive budget deficit of which public enterprise constitutes a major cause. Recognizing the need to reduce the magnitude of Nigeria's budget deficit, the Structural Adjustment Programme (SAP) and other socio-economic development platforms such as the PRSP placed a reign on government expenditure so as to limit budgets deficits to not more than 3-4 per cents of the gross domestic product (GDP). Thus, policy makers and economic analysts assume that the commercialization and privatization scheme would limit the fund outflow of government and provide a concrete base to comply with SAP's requirement via rationalized resource allocation to the affected privatized or commercialized industry. Another dimension, which is microeconomic in nature, focuses on the importance of improved efficiency in order to bring about output expansion which may subsequently meet the ever-rising demand for public goods. Incidentally, the major reason for economic efficiency concerns in business enterprises derives from the perception, that the private sector is a more efficient producer than the public sector. This efficiency argument would have been better promoted if the current privatization is re-formulated such that demonopolization becomes the major platform of policy. This is likely to generate better economic performance since private ownership is likely to be a significant determinant of successful financial performance. Thus, it follows that the competition that this process would bring are more likely to stimulate public enterprise slated for commercialization and privatization to higher performance.

Pitfalls of Policy

Rather than achieving the desired goals of policy, Nigeria's privatization policy is full of many pitfalls. As argued earlier, because government and its institutions had assumed the position of principal rather than agent, the need to make the people, or at least the civil society, the owners of public policy and that economic policy such as the privatization policy has been completely neglected. In addition to lack of ownership, the process of policy has also been devoid of transparency thus denying the policy any credibility. As argued earlier, we can also ask whether what Nigeria requires is privatization or de-monopolization. Further to all these, other pitfalls have manifested in the following areas:

- Non-resolution of the divergent views and interests and the inability to factor the divergent positions and interests into the policy process;
- Ineffective marketing, and hence inability of beneficiary of policies to perceive both the short and long-term benefits of such policy, lack of proper differentiation of short, medium, long term benefits and costs;
- Inadequate/improper sifting of programmes and project;
- Over-estimation of required threshold and characteristics of entrepreneurial resources for the success of privatization policy;
- The required and expected enabling environment necessary for the required net capital outflow for the success of privatization policy in Nigeria.

Issues to be Resolved and the Way Forward

For studying social policy, the political economy aspect of globalization raises a number of questions, it is necessary to emphasize three at this point. They include:

- The extent to which contemporary economic processes and relationships undermine the received position on welfare and welfarism and the running of modern governments as well as the distributional impact on the less privileged members of societies;
- The extent of interaction between economic and political processes in the reconstruction and restructuring of social welfare; and
- The implication of political economy, the different views of welfare states and how social policy could be used to achieve the aims of development.

Globalization poses some rather difficult questions for the study of social policy, not least because of the way in which it disrupts the national focus of attention within social policy. Socio-economic policy tends to be studied in relation to national welfare states or welfare systems. Even comparative socio-economic policy has been centred on comparisons between different national welfare states or welfare systems. Globalization – and the transnational processes and relationships associated with it – represents a significant challenge to this conventional formulation of the object of study in social policy. At the same time, the encounter between globalization and social policy produces

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other difficulties. One concerns the character and direction of globalization itself since it is a much disputed concept (see, *interalia, Hirst* and Thompson, 1999; Jameson, 1998; Jessop, 1998; and Massey, 1999).

In this paper, we join others in perceiving globalization as a major shift in which all the major dimensions of human life have been remade in the creation of a new world order', such that old understandings, habits and ways of thinking are increasingly inappropriate or redundant.

The latter suggests that the geo-political realignments are still 'in process' – marked by the break – up of some configurations, the persistence of others, and attempts to fix new patterns, hierarchies and relationships.

Nigeria must therefore use socio-economic platforms to address how social – economic policy is understood within the context of globalization, in particular where there is an increasing demand for the old order to change. Nigeria must re-invent the 'Nigeria Enterprise' otherwise globalization the big tidal wave will treat the country like a reed that globalization turns nation states like Nigeria into an atomistic (more or less a price-taker of the famed perfect competition model) unit within the community of states and if one treats the current democratic experience as a transitional political *cum* socio-economic experience, one is bound to ask which way forward for the country. The current transitional process in Nigeria calls for drastic measure in the following key areas and priorities:

- Nigeria must re-define her development strategy. The current transition experience must be organized from an extensive to an intensive and more diversified growth pattern in keeping with the international level. This transition can under no circumstances materialize through mere market mechanisms and in the present context of structural, institutional and behavioural in which everybody, the ruler are indifferent to the "Nigerian Enterprise".
- Nigeria must necessarily rethink the relationship between the State, the civil society and the people in general along the lines of a true democratization of society, and the economic system as well as the rehabilitation of those institutions and organizations capable of creating enabling conditions for fruitful debates and the elaboration of stable and dynamic compromise among the various stakeholders.

Nigeria must also redefine the role of the State, in particular its main instrument – the government, on the prospect of its abandoning the principle of dominance that currently governs its economic behaviour. The abandonment of these principles should be primarily reflected in the industrial policy defined in agreement with the economic stakeholders (all segments of industry employers and employed) and capable of making the future visible to the latter.

- Further, funding development strategies may necessitate a redefinition of the role of bank capital and its articulation with industrial capital, for a greater investment of such bank capital in restructuring the productive machinery of the state. The creation of a core pool of domestic entrepreneur must be made a centerpiece of policy.
- Finally, it is worth emphasizing the need for urgent renovation of social relations between workers and employers, which should lead to a wage agreement (such an agreement must take us away from the obsolescence of unions to the modern; indexation, price and wage flexibility, automatic movement of prices rather sporadic movement and such movement must cease to be a political commodity or carrot at the hands of politicians etc) that involves and empowers all stakeholders, stimulates innovation, increases opportunities for generating more competitive wealth and allows for a more equitable distribution of the fruits of sustainable growth.

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