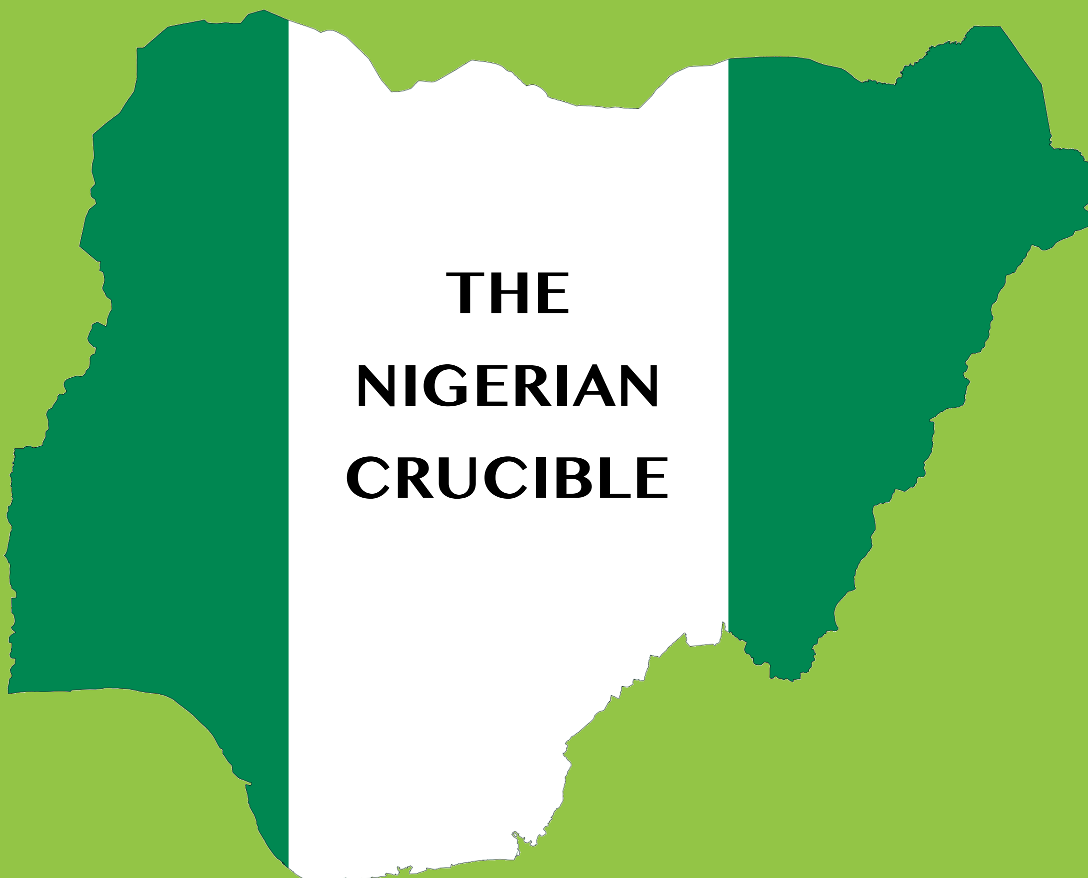

THE NIGERIAN CRUCIBLE

Politics and Governance in a Conglomerate Nation, 1977-2017

RICHARD JOSEPH

PART ONE

II. Affluence and Underdevelopment: The Nigerian Experience

The Journal of Modern African Studies, 16, 2 (June 1978), pp. 221-239

A half-century of high revenues from petroleum export has failed to elevate more than a small percentage of Nigerians above the poverty level. The failure to manage the vicissitudes of global oil markets, and to grow other sectors of the economy, has led to constant budget deficits and unsustainable national debts. 'Discordant development' has therefore been the consequence. A large state role in the economy created an overhang of non-productive enterprises. As a textbook example of the 'resource curse,' Nigerians citizens have paid a punishing price for the country's illusory wealth. Boom and bust cycles have undermined political stability.

There is a well-known story that is regularly acted out in many countries of the world. An individual suddenly wins a large fortune - from a lottery or horse race - and is catapulted from rags to riches. After a few years of dissipation, the money has been squandered, the physical and mental health of the *nouveau riche* broken, and the glorious future of unlimited possibilities constricted into a bleak vista of regret and recrimination. At the moment of exhilaration, what the person concerned - understandably enough - failed to recognize was that the danger such sudden wealth represented was no less great than the dazzling promise.

Nigeria has always been one of the most amply endowed territories carved out by the European colonisers, although the living standards of most of its inhabitants have differed little from that of the other 80 per cent of Africa's black population. The slow but sure increases in individual and national earnings from agricultural exports during the period 1930-55 paralleled those in the neighboring states of West Africa. Similarly, the gradual shift from semi-processing of some agricultural products to easy import-substitution during the 1950s and 1960s barely dented the predominance of the peasant sector in the total national product.[1] In 1958 the oil began to flow, first a trickle among 1960 exports but growing to a bonanza by the outbreak of civil hostilities in 1966.[2] With the end of the war in January 1970, and the preservation intact of the national territory, the developmental prospects of Nigeria appeared secure: oil earnings would provide the capital flow to finance physical and social infrastructures, and the country would be spared recourse to external indebtedness.

---

[1] T. A. Oyejide, "The Strategy of Industrial Development in Nigeria," in *The Quarterly Journal of Administration* (Ife), viii, 2, 1974, pp. 167-76; S. A. Oni, "Industry including Indigenisation," in S. O. Olayide (ed.), *Economic Survey of Nigeria* (Ibadan, 1976), pp. 53-70; Gerald K. Helleiner, *Peasant Agriculture, Government and Economic Growth in Nigeria* (Illinois, 1966), pp. 26 and 319-20; and Peter Kilby, *Industrialization in an Open Economy: Nigeria, 1945- 1966* (Cambridge, I969), passim.
[2] Oni, loc. cit. p. 80; and Ludwig Schatzl, *Petroleum in Nigeria* (Oxford, 1969), passim.

Then came the “Oil Revolution” of October 1973. What had been a steady annual income was transformed overnight into a fortune. However, while the developed countries moved to tighten their belts and devise ways to counter the increased cost of imports, Nigerian policy-makers - and those who could siphon their quotient of the oil wealth - quickly set about devising ways of spending the “petro-naira.” Less than three years later, the bubble had burst: total annual expenditures had caught up with the increased income from oil exports; and, instead of an ever-increasing bank account, the country had started drawing on its reserves to meet new commitments.[3]

Of course, there were unforeseen factors which eroded the promise of 1973. No sooner had oil income tripled in 1974, despite a near static output from 1973, than production and income were severely reduced the following year to conform with O.P.E.C.'s strategy. Moreover, the great jump in earnings per barrel during I973-4 could be defended but not repeated; and the relentless rise in the cost of imports from the developed world would thereafter barely be matched by periodic increases in the price of oil.

At this point the winner of a lottery might distinguish the mirage from the grudging reality and act to stem the downward slide. Unlike such an individual, however, it is very difficult for a nation of the size and complexity of Nigeria suddenly to tailor its fancies to match its means. The aim of this article is to indicate some of the ways in which the problems of affluence - used here to mean sudden disposable wealth - have been grafted onto the abiding problems of underdevelopment. When the Third National Development Plan was being drafted in 1974-75, the challenge confronting policy-makers was how to use the oil wealth to eliminate underdevelopment. At the halfway point in the implementation of that same document, the problem appears more acute: How can the injurious consequences of affluence be arrested so that the prospects of development are not completely scuppered?

A striking feature about modern Nigeria is the continuity in economic strategy over the past two decades despite political upheavals. After the end of the prolonged upswing in world prices for Nigeria's agricultural exports in 1955, the country followed an unbroken pattern into the early years of independence of running down the foreign reserves of the Marketing Boards. Oil income eventually replaced these flows.[4] Foreign (especially trading) companies controlled the lion's share of the modern economy; Levantines predominated in the intermediate sector; and Nigerians constituted the large peasant population, the army of petty traders and artisans, the industrial workforce, and the politicians/contractors/businessmen. While the tragedy of the civil war may have had lasting political consequences in imbuing the military and civilian elites with

[3] Details about external transactions, as well as the balance-of-payments deficit of 1976, are available in many government publications as well as the daily press. See *The Daily Times* (Lagos), 22 September 1976 and 26 March 1977, and *The Business Times* (Lagos), 5 April 1977.
[4] Helleiner, op. cit. pp. 32 and 40.

an awareness of the necessary limits to ethnic and regional sectarianism**,** the economic lessons of the armed struggle were lost and forgotten almost the moment the firing stopped.

"Self-Reliance" is a term we often hear shouted by the governments of Third World countries to their people. Often it amounts to little more than a ritual for exorcising the devil of dependence. What the experiences of the more economically developed Latin American countries teach us, however, is that a bout of involuntary autarky - induced by a world depression or war - is a powerful incentive to laying the groundwork for an industrial economy in a world dominated by post-industrial societies. The economic resilience of Nigeria was proved by its performance during the civil war. Oil production and earnings dropped, yet armaments were obtained on cash terms. Apart from the devastated Eastern zone, agricultural output was maintained and small industries rose to the challenges and opportunities provided by import restrictions:

> more than expanding capital formations was the significant rise in capacity utilization. Existing assets were stretched to their limits as many factories produced non-stop in three shifts while bottlenecks developed in the transport network. Simultaneously there were booming records in industrial turnover, employment, capital expenditure and profit.[5]

Of course, this halcyon picture must be adjusted to take into account the war-profiteering of the business intermediaries.[6] But that is nothing unique to Nigeria. At least the country was gearing itself to meet its new needs, and something positive could be listed in the balance sheet alongside the easy gains of commercial and industrial entrepreneurs. Nearly a decade after the high point of the 1966-70 conflict, however, it is striking to read what that experience should have taught Nigerian economic policy-makers and other actors: "an important lesson of the civil war is that crude petroleum and a general balance of the external trade sector are helpful but not crucial to the growth of the Nigerian economy."[7] Today, agriculture is stagnant if not regressive, and the population is increasingly fed by imports. Industrialization is more impressive on paper than in reality, because even such basic necessities as plates, spoons, cooking pots, and pins are imported.[8] With petroleum once more flowing freely, it became easier to buy and sell than to build, and the Government could think of no other alternative than to mortgage the country's economic future to the good behavior and concordance of the multinationals and local business people.

---

[5] *Second National Development Plan, 1970-74* (Lagos, I970), p. 24.
[6] For a general survey of the pivotal role of this social group, see Gavin Williams, "Nigeria: a political economy," in his *Nigeria: economy and society* (London, 1976), pp. 11-54.
[7] *Second National Development Plan*, p. 28.
[8] *The Business Times*, 21 June 1977.

A Route to Industrialization

One notable difference between the settler and non-settler colonies of British Africa is that the industrialization of the former had a head-start over the latter by roughly two decades.[9] The push for an industrial economy in Nigeria, as elsewhere in West Africa, was a direct consequence of the nationalist agitation of the 1950s. Although the growth rate of the manufacturing sector has been greater than any other, apart from mineral (i.e. petroleum) production, in view of the small industrial base existing in 1950, this sector 25 years later could still be described as underdeveloped relative to the general size of the economy, and in comparison with other countries at a similar stage of development.[10]

Many liberal and neo-liberal economic strategies have been attempted in Nigeria, especially since 1957, to hasten industrialization. Generous tax concessions for "pioneer industries" have been decreed, relief from import duty for capital goods and raw materials has been granted, and industrial estates, facilities, and loan capital have been provided by the Government.[11] Still, there is a pervasive sense of disappointment among many officials, academics, and informed journalists at the little that has been achieved. Here is a typical contemporary retort: "All our power plants, military hardware and ammunition, transport machinery, railway equipment, iron and steel products, electrical and electronic goods, and many consumer goods are... imported." [12] The Government itself admits that the industrial sector is dominated by low technology enterprises**,** with about 50 per cent of value-added in manufacturing being provided by food, beverages, tobacco, textiles and wearing apparel.[13]

The argument that this imbalance is only a temporary and preliminary stage finds few advocates. The basic engineering sub-sector for the production of machinery, equipment, and capital goods accounts for less than 3 per cent of value-added, and the basic metal industry for half this proportion.[14] An iron and steel complex has been on the drawing board for over 15

---

[9] E. A. Brett, *Colonialism and Underdevelopment in East Africa: the politics of economic change, 1919-1939* (London, 1973), p. 276.
[10] *Third National Development Plan, 1975-80* (Lagos, I975), Vol. I, p. 147. Manufacturing accounted for 5.64 percent of G.D.P. in I960 and 8 percent in 1975. [In 2012, a former Central Bank Chairman declared this rate to have declined to 4 percent: https://africaplus.wordpress.com/2013/07/21/corporate-social-responsibility-and-latecomer-industrialization-can-nigeria-do-it/%5D.
[11] The basic research in this area has been undertaken by Adedotun O. Phillips and the findings published in the *Nigerian Journal of Social and Economic Studies* (Ibadan) during I967, I968, and I969, as well as in "Administering Nigeria's Pioneer Companies Relief," in *The Quarterly Journal of Administration*, iv, I, October I969, pp. I I-29, and "Reforming Nigeria's Tax Incentives System," in ibid. v, 4 July 1971, pp. 421-37. These articles and other relevant studies are now available in O. Teriba and M. O. Kayode (eds.), *Industrial Development in Nigeria: patterns, problems and prospects* (Ibadan, 1977).
[12] See the report of a speech by Professor G. O. Ezekwe of the Projects Development Agency, Enugu, in *The Daily Times*, 8 March I977.
[13] *Third National Development Plan*, p. 147.
[14] Ibid.

years, and the weakness of the intermediate industrial sector is indicated by the high import content of manufactured goods. The following summons in governmental and academic reports appears at regular intervals: "attention should also be given to the possibility of altering the composition of public spending in favor of directly productive activities." The point is that although attention has been regularly paid to this problem, various commentators are driven to exclaim:

> the crucial question is how much industrialization and how much manufacturing are actually taking place in the country? Are we mistaking the cranes and caterpillars and the bulldozers or the ever-increasing number of foreign cars blocking our roads as industrialization?[15]

One reason for this *cul de sac*, I would suggest, is that Nigeria lacks an effective agency of industrialization. Although the state has been directly drawn into productive activities, it has done so reluctantly and has concentrated on enticing and even constraining foreign companies and indigenous capitalists to expand the manufacturing sector. According to a Nigerian analysis of the industrial dilemma, earnings from petroleum make it "possible for the economy to absorb the effects of a high-level of inefficiency and ineffectiveness on the part of the indigenous capitalist class for quite some time."[16] I would argue that this very bounty also accounts for the limited manufacturing quotient of the most dynamic section of the modern economy: the multinational companies. These fall roughly into two groups: those which undertake construction work on what can be described as "lavish" governmental contracts (e.g. Julius Berger, Dumez, and Strabag), and trading firms which have diversified to include electrical, mechanical, and transport sub-divisions (e.g. U.T.C., U.A.C., and John Holt).

Apart from the usual mechanisms mentioned earlier, the Government has tried various means to induce these companies to undertake direct manufacturing, the most recent being the imposition of guidelines on the banking sector regarding the percentage of loans that should go to productive, as opposed to commercial or miscellaneous, activities (currently 45 percent). However, not only is this method not fully reliable even when complied with - i.e. often involving the reclassification of loans - but the fact remains that it is the Nigerian market, kept buoyant by oil income, which will remain the prime target of these companies:

> most foreign companies operating in the country are in the export stage ... they have established subsidiary companies in Nigeria mainly to sell their products, with little or no

[15] *The Sunday Times* (Lagos), 24 April, 1977.
[16] E. O. Akeredolu-Ale, "Some Thoughts on the Indigenization Process and the Quality of Nigerian Capitalism," in *Nigeria's Indigenisation Policy. Proceedings of the Nigerian Economic Society Symposium*, 1974 (Ibadan, 1975), p. 72.

> packaging done locally. This explains why there are more warehouses in our industrial estates than there are actual manufacturing plants.[17]

It is indeed ironic to have to berate these companies for their unwillingness to manufacture locally. Since there is an inadequate engineering, basic metal, and intermediate goods industry, most components for their 'manufacturing' plants must come from abroad. Economic nationalism in Nigeria is, therefore, placed in the contradictory position of promoting the greater entrenchment of foreign enterprises through encouraging the creation by them of backward linkages in the economy. The basic reason for the failure of the strategy of industrialization in Nigeria has been the inability of the embryonic capitalist class to play its historical role of initiative, capital formation, and increased production. This conclusion reached by many scholars - notably Peter Kilby in his 1969 comprehensive study[18] - has been rendered more striking in recent years because of the oil boom's exaggeration of the business activities and social proclivities of the Nigerian bourgeoisie.

There are few emergent social groups in Africa which have been studied as thoroughly as Nigerian entrepreneurs.[19] The findings are unanimous: these businessmen are above all interested in quick returns and hence their "reluctance to invest in industry as contrasted with trade." Their organisational methods and financial accounting are often inadequate, and most have failed "to cultivate the discipline of conserving more than they consume of their trade surpluses and of reinvesting such surpluses to expand the firm." Even when banks provide working capital for their enterprises, it is not unusual for such loans to be "diverted into avenues of irresponsible consumption," and the option of increasing resources in finance and personnel through partnerships is seldom pursued because "most Nigerian businessmen are un-attracted by the partnership form of business organization. They would rather "go it alone."[20]

Indeed, many of the traditional values associated with an emergent capitalist class have been shown to be absent among the Nigerian contingent. In place of austerity and painstaking dedication to building an enterprise, one finds extravagant consumption and the "group of companies mentality" which leads to many undertakings perishing, along with their founders.[21] E. O. Akeredolu-Ale made a bold attempt to dispute the conclusion of Kilby (as well as others) that "deficient entrepreneurial capacities," deriving from the values and structure of the wider

[17] *The Business Times*, 2I June I977.
[18] Kilby, op. cit.
[19] A short bibliography of the relevant studies is given by E. O. Akeredolu-Ale, *The Underdevelopment of Indigenous Entrepreneurship in Nigeria* (Ibadan, 1975), p. 28n.
[20] See, respectively, *The New Nigerian* (Lagos), 22 January 1977, p. 5; Akeredolu-Ale, op. cit. p. IOI; *The Business Times*, 17 May I977, p. 12; and 0. Teriba, "Financing Indigenization," in *The Quarterly Journal of Administration*, Ix , 2, 1975, p. I66.
[21] Akeredolu-Ale, op. cit . p. 101

society, are responsible for the unsatisfactory record of Nigerian businessmen.[22] Yet his later angry statements on the subject go beyond the attitudinal thesis of the protagonists, describing this social group as "chronic infants" and "drone capitalists who simply fatten themselves upon existing national wealth without doing much to augment that wealth, even with oil."[23]

The Programme of Indigenization

The gradual transfer of control to Nigerians over the economy has always been a basic plank of government policy since independence. During the same period, however, care has always been taken to reaffirm Nigeria's openness to foreign investment. With the constant in-flow of foreign capital throughout the 1960s, the contradiction between these two policies became increasingly evident. The solution reached by policy-makers during the Gowon regime, and adhered to by his successors, was to reserve by law certain areas of the modern sector for Nigerians and to designate a proportion of the equity (initially 40 percent) of those larger units that should be transferred to Nigerians.[24] The shops, small factories, cinemas, and betting houses reserved exclusively to Nigerians fell largely within the Levantine section of commerce, industry, and services. Critical attention has largely been devoted so far to the indigenization of the public limited companies through the floating of shares quoted on the Lagos Stock Exchange.

There is little need to demonstrate that it is petroleum export which has made the indigenisation exercise possible. When the decree was first promulgated in February 1972, it was widely believed that much of the large body of shares offered to the public would not find buyers. As it turned out there was over-subscription for all the shares, ranging up to 326.4 percent for Guinness, 743.9 percent for R.T. Briscoe, and 841.4 per cent for U.A.C.[25] The scramble for shares in these foreign companies has now become a regular feature of the life of middle-class Nigerians. To the 13 companies already publicly quoted in 1972, a further 22 offered shares to the public (and state governments) during 1972-4. With the 1977-8 exercise, at least 100 more companies are expected to follow this route to satisfy the decree, despite the frequent complaints from many of them about the low prices set for their shares by the Capital

---

[22] Ibid. pp. 31-2; and Kilby, op. cit pp. 336 and 341. For a trenchant critique of Kilby's disregard of the political factors responsible for the delay in Nigeria's industrialisation, see E. O. Akeredolu-Ale, "The Competitive Threshold Hypothesis and Nigeria's Industrialization Process - a Review Article," in *Nigerian Journal of Social and Economic Studies*, xiv, 1, March 1972, pp. 109-20.
[23] Akeredolu-Ale, "Some Thoughts on the Indigenization Process," loc. cit. pp. 71 and 75.
[24] The Nigerian Enterprises Promotion Decree, 23 February 1972 and 12 January 1977. Analyses are available in *Nigeria's Indigenisation Policy*; Teriba, loc. cit. and Paul Collins, "The Political Economy of Indigenization: the case of the Nigerian Enterprises Promotion Decree," *The African Review* (Dar es Salaam), IV, 4, 1974, pp. 491-508. The provisions of the 1977 Decree were published in most Nigerian newspapers during January 1977. For a general survey, see Leslie L. Rood, "Nationalisation and Indigenization in Africa," in *The Journal of Modern African Studies* (Cambridge), XIV, 3, September 1976, pp. 427-47.
[25] Teriba, loc. cit. pp. I62-3.

Issues Commission. What, it must be asked, is being achieved by this new form of partnership between multinational capital and Nigerian middle classes?

Let us start with the "aspirant propertied class," to use the term of one Nigerian academic.[26] After trading operations, and some transport, the favorite form of investment of this non-industrial bourgeoisie in Nigeria has been real estate. Political leverage has been used to secure loans from banks or government agencies, which are in turn used to buy land and to build houses, which are then lent at exorbitant rents payable a few years in advance. As a result of the indigenization program, company shares now increasingly take pride of place alongside trade and real estate. Let us move on to the banking system in Nigeria, which has been dominated by foreign houses, notably Barclays and Standard. These banks, of which the Government now owns a 60 per cent share, have been constantly urged to increase their lending to Nigerians. As is well known in the colonial and postcolonial world, the established banks have usually looked with disfavor on the lack of suitable collateral proffered by aspirant indigenous borrowers. Moreover, the Nigerian businessman, as discussed above, has not proven to be the most reliable of clients in keeping agreements with the banks.

Because of the relatively low rate of interest demanded by the banks, foreign-owned companies in Nigeria have tended to place greater reliance in their local borrowing on loan rather than equity capital, with the added bonus that interest was a deductible expense.[27] With indigenization, the banks were able to tackle two problems in one move: they reduced their high liquidity ratios which the Government had constantly criticized and increased the level of their lending to Nigerian borrowers. At least half of the funds spent by citizens to purchase shares in the large foreign firms was provided by bank loans.[28] In short, looked at from the point of view of just the banks and these companies, indigenization meant the arrangement of a new batch of loans from the former to the latter, but this time via Nigerian shareholders.

For the tens of thousands of middle-class Nigerians able to obtain shares, heaven seemed to have descended to earth. They had procured a guaranteed income and substantial financial assets with negligible risk and effort.[29] The balance sheets of all the companies involved regularly show high profits. The effort of the Capital Issues Commission to keep the prices of shares on offer as low as possible - in order to maximize the number of Nigerians able to

---

[26] Omafume F. Onoge, "The Indigenisation Decree and Economic Independence: another case of bourgeois utopianism," in *Nigeria's Indigenisation Policy*, p. 59.
[27] A. M. Nduomu, "Foreign Private Investment in the Manufacturing Sector in the Nigerian Economy, 1966-70," in Central Bank of Nigeria, *Economic and Financial Review* (Lagos), xii, 1, June 1974, pp. 22-3. [By contrast, bank loans draw exorbitant rates of interest in recent years contributing to the mushrooming of banks.]
[28] S. O. Asabia, "Share Valuation: the Nigerian experience," in *Nigeria's Indigenisation Policy*, p. 29.
[29] The only real struggle being that of obtaining application forms from the banks using personal contacts and prestige.

participate - meant that the successful applicants realized an immediate capital gain as the prices on the stock exchange quickly moved to a higher level after the exercise. Furthermore, the imposition of a 30 percent limit on distributed profits and a 16.5 per cent dividend rate per share in 1976 did not stop the widening income gap; the companies compensated local shareholders with bonus issues on the undistributed profits. What has been the economic consequence for Nigeria of this aspect of indigenization? The argument that redistribution of national wealth has occurred is not pushed too far by anyone, since the countervailing argument is all too obvious: the privileged have become even more privileged relative to the mass of the population.[30] Some have argued that the exercise will result in the provision of more finance to the dominant low-risk enterprises, and so represents no significant adjustment in the allocation of capital resources.[31]

The Demise of Agriculture

A near parallel over the past decade to the boom in oil production and export earnings in Nigeria has been the decline of agriculture in the generation of national wealth. The special circumstances of the civil war briefly reversed this process in both sectors:

> In the immediate pre-crisis period, agricultural exports earned about 66 percent of the country's foreign exchange. When war activities brought the petroleum industry to a standstill in 1968, the contribution of agricultural exports to total foreign exchange earnings rose to 73.4 per cent.[32]

The post-war economic planners, therefore, had reason to be optimistic about this "mainstay of the economy" contributing about 50 percent of G.D.P. and producing enough to feed the population and even a surplus for export to neighboring countries.[33] Seven years later, the negative trend is much more evident. Of the total 1976 foreign earnings of ₦5.501 million, agricultural exports could only manage ₦389.2 million: and this at a time of the highest world prices in recent years for Nigeria's traditional exports.[34] While the world price of cocoa has been soaring, Nigeria (the former second largest world producer) has seen its production falling from 350,000 tons in 1970 to 196,000 in 1975-6, with a further drop expected in the current season.[35]

---

[30] Resort was made to the use of fictitious names or those of dependents to maximize share allocation. In the current exercise a limit has been placed on the number of shares per applicant and a reservation of 10 percent to employees in each company. It is left to be seen how effective these devices are in limiting present or future inequality of access to share ownership.

[31] A point emphasised by the World Bank and taken up by Nigerian commentators; Nigeria: options for long-term development (Baltimore and London, I974), p. 100.

[32] *Second National Development Plan*, p. 62.

[33] Ibid.

[34] *The Daily Times*, 5 April 1977, p. 3. The naira was valued in August 1977 at U.S. $1.54 and £0.86 sterling.

[35] *The Business Times*, 9 November 1976.

The country which was once the world's largest producer of palm oil and groundnuts must now *import* these commodities to satisfy its domestic needs.

This said, it is necessary to remember that 70 percent of the population still relies on agriculture for its subsistence and income on agriculture. In its 1974 *Report* the World Bank team echoed the assessment of local specialists: “Future employment and income distribution patterns in Nigeria will be determined largely by developments in the rural sectors.”[36] Not only is this necessary in order to bring about an improved standard of living, but the expansion of agro-based industries and a halt to spiraling urban congestion and unemployment are directly linked to the outcome. The reasons for the stagnation of agriculture in Nigeria would be broadly familiar to students of this problem in contemporary tropical Africa: inadequate land-tenure systems resulting in the fragmentation of holdings; low yields owing to unimproved crop varieties, declining soil fertility, under-use of fertilizers, and low technology; and the natural impediments of drought, crop disease, and infestation.[37] As regards the complex question of financial inputs, it might be argued not only that insufficient capital resources have been devoted to agriculture during the past 5 years, but that the money spent on extension services and credit schemes has produced little corresponding benefits because of the limited capacity of the peasant-based system to absorb, and positively respond to, such efforts. Similarly, the well-known arguments about the low producer prices reaching the farmers regardless of foreign earnings by the Marketing Boards and, more recently, the Nigeria Produce Marketing Company, must be contrasted with the persisting decline or stagnation of production despite some increases in unit prices.

Looked at from the broader perspective, agriculture has not only declined as a relative earner of foreign exchange, but has also failed to meet the domestic food needs of the population. Indeed, it is remarkable that despite the considerable increase in the inflow of capital goods for construction and industry, not to mention durable consumer goods, it is the importation of food which has been growing at the fastest rate in Nigeria: during the early 1970s it was of the order of 20 per cent annually, but by 1976 had reached the critical level of 47.5 per cent.[38] The Government thereupon decided it was time for drastic action and, borrowing a page from its embattled Ghanaian counterpart, launched “Operation Feed the Nation” with great fanfare.

Many university students were conscripted at the end of the academic year in June 1976 to work for several weeks in farming communities. This exercise was acclaimed a success by the Government, which cited a 3 percent increase in agricultural production during 1975-6, compared with the 1 percent of the previous years. Moreover, food imports were supposed to have declined significantly. This assessment by the Government has been treated with reserve by

[36] *Nigeria*, p. 8.
[37] *Third National Development Plan*, pp. 65-7.
[38] *The Daily Times*, 5 April 1977, and *The Business Times*, 22 February I977.

most commentators.[39] Clearly, the dispatch of university students to the farms during the long recess is no longer viewed as the key to rejuvenating agriculture. In 1977 this aspect of the program was greatly reduced.

The slogan "Whatever Your Occupation - Farm!" has been complied with by many city dwellers. It is not easy to speculate how much of a contribution this new development will make to solving the agricultural problem. For one thing, the propensity to consume imported food products with the increase in disposable incomes may be little affected by the availability of home-grown maize. Moreover, it is hard to see how much of a dynamic impetus this practice will impart to the depressed farming sector. Greater capital expenditures by the Government on rural development schemes will obviously be undertaken. However, in the final analysis, agriculture cannot be divorced from the basic structural and attitudinal problems discussed throughout this article: the drive for easy and rapid wealth greatly contrasts with the rigor of farm work and the corresponding lack of interest in long-term productive investments by Nigerian private entrepreneurs. Indeed, the option of inviting foreign investors or managers to enter agricultural production is seriously being canvassed, an idea that would have been anathema two decades ago in a country whose relatively easy path to political independence was directly related to the absence of such a community.[40]

The Cancer of Inflation

Inflation is a third major distinguishing feature of the contemporary political economy of Nigeria, in addition to affluence and underdevelopment. Like the movement of a clock's hands, the faster inflation moves the easier you can see it. In Nigerian cities today, it is highly visible and affects everyone. For reasons to be discussed below, the real jump came in 1975-6, although the rate of inflation had been increasing through the early 1970s: 4.2 percent in 1972-3, 9 percent in 1974-5. Official and unofficial estimates give the 1975-6 rate as 33 to 40 percent. Emergency financial measures in mid-1976 aimed to bring the rate down to about 23 percent. However, judging from the renewed spurt in early 1977, it would be surprising if the overall 1976-7 rate was much below the previous year.

It was clearly stated in 1975 that "the main objective of monetary policy during the Third Plan will be to control inflation" and that the Nigerian National Supply Company (NNSC) was being strengthened to "perform its anti-inflationary role through massive importation of essential commodities."[41] This is one case in which the practice makes a mockery of the theory. The primary causes of chronic inflation in Nigeria have already been discussed, i.e. the excessive

---

[39] *The Daily Sketch* (Ibadan), I April 1977, and *The Daily Times*, 19 May I977.
[40] During the period of land seizures in Zimbabwe, dislodged and/or discontented white farmers were actually invited to pursue agricultural projects in Nigeria.
[41] *Third National Development Plan*, p. 34.

liquidity as a result of oil wealth, and the low level of productivity in both industrial and agricultural sectors. Too much paper money chases too few goods and those with ample amounts of the former are happy to display their wealth by paying as much as the market can demand. This is a great deal because of the limited competition in the provision of many essential goods.[42]

The chief responses of the Government to inflation are "price control" and "management supply." Every so often the "price control" bureaucracy fastens its attention on particular commodities, e.g. canned milk, sugar, or cement, but often the equally adjudged "essentials" of beer and soft drinks. A number of sellers are hauled before the courts, fined, and the commodities in question disappear from the shelves and stalls of chain stores and open markets. After a few weeks of the campaign, consumers are prepared to obtain the targeted goods at virtually any price. On the other hand, "management supply" refers to the practice of flooding the market with particular goods in order to force down the selling price. Although some notable successes have been achieved in this way, in general, far more has been promised than can be delivered. At times the effect could be quite the reverse from the intention, as regarding the distribution and sale of stockfish. This commodity was taken over by the NNSC and made subject to special license, only to climb to a price 75 percent higher than the original offending level.[43] There are certain endemic problems which fall under the general rubric of underdevelopment: the inadequacy of berthing and unloading services at the ports leading to chronic congestion, already known in the case of the massive importation of cement. Inland transportation, petroleum supplies, unreliable road haulage, and warehousing inadequacies are also cited to explain the recurrent shortages of various goods.

Of equal importance is the fact that even a supply network free of bureaucratic hurdles and transport bottlenecks would be stymied by the present socio-economic environment in Nigeria, assuming the two can be separated. The highly developed trading instincts, about which historians enthuse, are today as much an impediment to as an instrument of development. Trading in Nigeria has come to mean the easiest way to earn a quick naira. The unofficial slogan has become: 'Whatever Your Occupation- Trade!' The great urge of many Nigerians, from manual workers to senior civil servants and university staff, is to inject themselves into a trading circuit, whether of cement, lace, or palm oil, and to get their 'cut' of the action. The object of getting goods quickly and efficiently to the final customer is a disvalue in the current system. Even goods purchased by government agencies as a counter-inflationary measure are often diverted into the hands of middlemen and hoarders who realize greater profits because of the reduced cost price.[44]

---

[42] See the interview with a senior government official in *The Business Times*, 5 July 1977.
[43] Ibid. 12 April I977.
[44] This strategy, when applied to managed currency exchange rates, has had a particular destructive impact as it has led to the capture of state-sourced foreign currency yielding huge profits when sold at market rates. This lesson had to be relearned by the Nigerian government in 2016-2017.

The point to emphasize about inflation in Nigeria is that all are affected, although it is obvious who suffers most. The policy of flooding the market with foreign foodstuffs often results in the importation of the inflation of developed countries. Meanwhile, because of the depressed state of agriculture, the basic food items of lower wage-earners, whether produced in the country or imported, also rise steeply in price.[45] However much the Government may speak of reducing money supply, the fact remains that massive public-sector spending, made possible by oil income, provides easy fuel to inflation.[46] At the higher level of society, the counterpart of the petty trader is the government contractor, winning generous contracts for buildings or supplies which are sub-awarded to foreign concerns, while the 'commission' is disgorged in a paroxysm of self-indulgence.

The political sociology of inflation should be briefly considered, since however much we may think of Nigeria as an economic entity, the fast-evolving class structure of the society determines the distribution of burdens and benefits from any governmental action. In June 1976, a freeze was imposed on increases in wages, profits, and dividends. Yet controlling profits is a largely mythical exercise: "Many of the businesses in Nigeria are private unincorporated and with no legal obligation to publish audited accounts. For these, it has naturally been impossible to determine how much profit they made or how they disposed of it."[47] With a private sector so well-schooled in evading taxes and price controls, restricting profits is simply beyond the capabilities of the government bureaucracy.

The real burden of this aspect of the anti-inflationary policy falls most heavily on lower-level salaried employees and the workers. It would take a thorough discussion of the various restrictions curtailing strike action and the re-organization currently being imposed on the trade union movement to demonstrate the inability of lower wage-earners in Nigeria to counter the erosion of their real incomes (and already low standard of living) by a wage policy which currently allows them an increase amounting to less than 20 percent of the rise in their cost-of-living.[48] One would also need to look at the inability of the Government to meet its promises of cheap and efficient transport as well as the crippling exploitation of low-income dwellers by landlords. Even the organ which most closely monitors Nigeria's capitalist development is

---

[45] Price increases in the staple foods of yam, cassava products, etc., are regularly reported in the daily press. During I974-5, when increases in the price index for middle-income residents in Lagos jumped from an annual rate of 16.7 per cent to 29.6 per cent, that of the lower income group rose from 13.4 per cent to 33.9 per cent. Central Bank of Nigeria, *Annual Report*, 1975, p. I3.
[46] *The Business Times*, 29 March I977.
[47] *The Daily Times*, 26 March 1977.
[48] Reference here is to the guideline of a 1 to 7 percent increase for this group in the 1977-8 budget. A study of food consumption patterns in the major southern cities is likely to show a shift in the diet of low-wage earners from the locally-produced, but increasingly costly yam and gari, to include more bread and even imported rice.

moved to conclude: “the wage freeze weapon of fighting inflation, instead of bringing the desired relief to a vast majority of workers, has brought hardship.”[49]

The Myth of the Oil Boom

The so-called oil boom in Nigeria, interpreted to mean earnings from petroleum exports considerably above the country's actual expenditure, lasted little more than a year. In 1973, Nigeria's foreign reserves were of the order of ₦409.1 million, but by the end of the following year they had shot up to ₦3,540.9 million as a result of the October 1973 oil price increases. The Third Development Plan launched in March 1975 clearly reflected the euphoria regarding the country's financial buoyancy: “there will be no savings and foreign exchange constraints during the Third Plan period and beyond.”[50] A 30 billion naira program was drawn up on the assumption that “Nigeria will experience a favorable over-all balance-of-payments throughout the 1975-80 period,” and that the reserves were expected to rise ‘by about ₦3.3 billion per year on the average’.[51] As it turned out, the country achieved a balance-of-payment surplus of only ₦158 million in 1975 and then recorded a deficit of ₦24I.6 million in 1976.[52]

Contrary to the expectations of the 1974-5 economic planners, far from Nigeria adding over 3 billion naira annually in the years up to 1980, with great difficulty will it avoid the total reserves falling below that level. A country which a short while ago prided itself on being able to forego offers of development aid and recourse to international loans found it necessary in January 1978 to obtain a one billion dollar loan from western banks. In retrospect, it seems inevitable that the boom would end: with a slackening of annual oil-price increases and the difficulty of maintaining the 1974 daily production level of 2.3 million barrels, a ceiling to overall income naturally followed.[53] However, that the boom would end so quickly can be attributed to the high level of government and individual spending in Nigeria. After the wonder year of 1974, foreign reserves could pay for over 24.4 months of imports. As a result of their great increase in quantity and range, coupled with inflation in the developed world, roughly the same level of reserves just one year later could cover less than 12 months of imports.[54] The slide continues. The buying power of the reserves continues to drop, the volume and cost of imports rise, and capital and recurrent expenditures committed by the Government during the days of euphoria continue to swell the annual budget.

[49] *The Business Times*, 29 March I977.
[50] *Third National Development Plan*, p. 48.
[51] Ibid. p. 47.
[52] *The Daily Times*, 12 April 1977. The Plan has since been revised upwards to ₦42 billion.
[53] Four decades later, Nigeria’s daily oil production was just 10% higher, approximately 2.5 million barrels.
[54] *The Business Times*, 22 February I977.

Once again it is important to point out that the economic performance of Nigeria as a whole must be related to the country's political sociology. The crucial years of 1973-5 were initially intended to be the terminal period of military rule. Moreover, it was also supposed to represent the transition stage to civilian rule promised for 1976. It would have taken some hidden commitment to democratic rule for such a Government (in which material wealth was widely considered the natural reward for political rule) to hand over to civilians at the time of the great oil bounty. Instead the Gowon regime tried to encourage acquiescence to its retention of power by giving a pivotal section of the population a sizeable share in the oil wealth.[55] In the *Report of the Public Services Review Commission of 1974* (commonly known as the Udoji Commission after its Chairman), grading and salary adjustments for approximately 750,000 public servants were proposed. When one excludes the large agricultural population, and takes into account the fact that wages and salaries in the private sector (commercial, industrial, and services) would follow these adjustments in the public sector, it was inevitable that the implementation of this *Report* would have a wide-ranging effect on the Nigerian economy.

The members of the Udoji Commission were not unaware of the likely economic consequences of large salary increases. Since the sudden expansion in demand could not be met by increased domestic production, a great inflationary upswing was likely to result.[56] What the Commission proposed was that the salary increases be introduced in a phased two-year sequence, and that counter-inflationary policies, such as "increased importation of consumer goods, foodstuffs and building materials be encouraged."[57] Not only did the Government disregard the two-year schedule and immediately implement the salary increases, it also countermanded the Commission's Report and decreed the payment of nine-month arrears.

Three months later, in October 1974, the Head of State announced that the country was not yet ready to return to civilian rule. It was a gamble that could have yielded positive political results for the regime. Economically, however, it gave great encouragement to all the problems of affluence and underdevelopment discussed in this article. During 1974-5 the Gowon Government believed that high oil earnings would enable it to increase its own capital expenditures as well as the disposable incomes of the section of the population with the greatest leverage and influence. By 1977, and especially in 1978, it finally began to dawn on many Nigerians that they could no longer bake and eat the national cake at the same time.

---

[55] See O. Oyediran and W. A. Ajibola, "Nigerian Public Service in 1975," in *Survey of Nigerian Affairs, 1975* (London, I978).

[56] Wage and salary increases in Nigeria do not gradually work their way through the economy. Instead, for example, market women will often greet the mere announcement of such awards by raising the price of goods.

[57] Public Service Review Commission, Report on Grading and Pay, 1972-74, Vol. I (Lagos 1974), p. 16.

Conclusion: The Cost of Affluence

I have concentrated on demonstrating the ways in which the response of Nigerians and their policy-makers to the country's oil wealth has been on balance inimical to the long-term aspirations of economic development. It would surprise many people from oil-importing countries to learn the seriousness with which the question "Is Oil a Blessing or a Curse?" is debated by Nigerian intellectuals. What is no longer problematic, however, is the severe price this nation has had to pay for its affluence. The thousands of foreign cars pouring onto the roads threaten the physical and mental health of city-dwellers as well as sweep away to a premature death countless Nigerians every week on the highways. The frantic grab of the well-placed for easy wealth is mirrored by the ferocity with which armed marauders attempt to wrest it from them. Extravagant displays of affluence are rapidly eroding the moral and cultural values of a people with a glorious past. Education, once the pride of early nationalists, lawyers, and scholars, is daily demeaned by the rabid and often unscrupulous pursuit of "paper qualifications" to gain entry to the ranks of the privileged.

The Government, which is regularly summoned to "recall the people from the shopping spree," to ban the import of one luxury good after another, and to confiscate ill-gotten gains, has itself been a victim of the illusion of affluence.[58] Instant remedies to stimulate agriculture are decreed and then dropped; new universities and a universal primary education system are launched without sufficient attention to the recurrent costs and availability of qualified personnel; lucrative pension and retirement schemes are introduced and then found burdensome; and car loans and allowances are granted to new categories of employees although the road system cannot cope with the existing volume of traffic.

An austerity program has been introduced recently in many areas of government expenditure. The 1978-9 budget included drastically increased custom duties on numerous items, while other imports were placed under special license. The sudden application of the brakes after years of free spending is, however, a new cause for concern. The students protested in April 1978 against the sizeable increases in their boarding and lodging fees. All 13 Universities were closed after clashes with armed police and soldiers resulted in the death of several students and other civilians.[59]

The final year in the planned transition to civil rule in Nigeria will unfortunately be marked by even greater financial stringency. Many politicians will campaign vigorously for increases in what they consider the lowly share of their region or state in the distribution of national resources. Simultaneously, the Obasanjo regime will be tempted to use military tactics in order to cope with the growing socio-economic problems, whereas what is required is the

[58] *The Daily Times*, 26 March 1977, and *The Business Times*, 8 March 1977.
[59] See *West Africa* (London), 15 May 1978, pp. 948-9.

maximum political skill. For those who care deeply for the future stability of Africa's biggest nation, it can only be hoped that both the soldiers and politicians will remember keenly the "descent into chaos" of the mid-1960s. There is, of course, no reason at this stage to be unduly pessimistic: Nigeria remains well-endowed in both human and natural resources. Yet, the time has come for an oft-repeated local warning to be heeded and acted upon by all those who are responsible for the country's future:

> the fact remains that in spite of the so-called oil boom, and the rapid growth of the Gross Domestic Product, *per capita* income in Nigeria is still lower than in many other countries in West Africa. What this calls for, therefore, is a recognition that the good fortune from oil which is a wasting resource, is an opportunity to improve the wellbeing of the entire population on a more permanent basis, and not a surplus to be squandered by the few who are in a position to do so.[60]

---

[60] *The Business Times*, 29 March 1977.