

## **CHAPTER 8**

### **GLOBALIZATION TODAY : SOME STRATEGIC POLICY LESSONS FOR NIGERIA**

#### **8.1 INTRODUCTION**

Following upon the discussions and arguments of other relevant literature in previous chapters of this study, it is important at this stage to pull various strands together. All the pro-globalization actors are creating problems in the international political economy to the detriment of everyone living on this planet. By contrast, the critics' views aim at a workable defense against the widening gap between the rich and the poor as pointed out in (3.5) of this study.

Some key issues discussed by major critics of globalization will be highlighted. Some implications for the specific nature of the Nigerian society will also be suggested as possibly strategic inputs for Nigeria. A focus on Localization initiatives to counter-balance the adverse implications of globalization on Nigeria will, form a major part of discussion. At a deeper level, some of these issues have to do with the perception of modernity as a base for positive change.

#### **8.2 MODERNIZATION**

In the modern world today most young people - teenagers in particular are ashamed of their cultural roots and are desperate to appear modern (Norbert-Hodge, 1996:33). The above view is also a reality among the young people in the present Nigeria and government seems

to follow the tone of the eagerness of the youth to appear modern in all they do. At present, Nigeria has become one of the countries in the Southern Hemisphere where the general dressing patterns no longer depict the fact that they are Africans. Hence, the majority of people now wear western clothes in order to appear modern. Most of this way of learning comes from watching television programs that tend to portray the western dressing and cultural identity as if it is the most acceptable way of life (Clarke, 1996:306).

It is clear that local appearance and indigenous ways of life contribute much to identity. Nigeria should check the above trend with the urgency it deserves before it gets to a point of no return. Otherwise, the implications may result in a regrettable loss of social, political and economic identity to the West, mostly the USA.

### **8.3 ECONOMIC DEPRIVATION**

In 1992 Alan Durning divided the world into three consumption patterns aimed at driving home his basic points on the question of how serious deprivation would have to be in order to make an impact on people and the economy. The three categories (Durning, 1992:16-20) include :

- i. Over-consumers, sustainers and marginals. The marginals and over-consumers world-wide are about 20% of the world population who live in absolute economic deprivation, while the remaining 80% are sustainers and marginals. The sustainers and marginals are mostly found in the third world countries.

- ii. Furthering this argument on the economic injustice of globalization concept, it may be important to use Former President Clinton's Administration in the USA as an example. The labour Secretary Robert Reich, in his book *The Work of Nations* (1991) states that the use of economic globalization by the Bretton Woods institutions has advanced very successfully and has served to separate the "interests of the wealthy classes from a sense of national interest and thereby from a sense of concern for and obligation to their less fortunate neighbors" (Reich, 1991:56).
- iii. This is pure economic injustice and deprivation. The illustrated figures were based on national averages and not by individual income; therefore, the example above may be more serious than is perceived. It is important to note that, if genuine account is taken of the very rich countries, the total income of the richest 20% of the world's population will be approximately 150 times those of the poorest 20% (Korten, 1996:183-191). This simply implies that the gap between rich and poor people is widening as well as between poorer and richer nations. Nigeria cannot afford to be part of the present consequence of economic marginalization, injustice and deprivation as a result of globalization.
- iv. Already about 75% of the Nigerian population live below the poverty line. A class situation has already been created and any further official participation by the country in the globalization process will not only widen the gap between the rich and the poor but will also create unhealthy rivalries among different

economic classes. The multiplier effect of these “classes” may heighten several economic, social and political problems in Nigeria to the point that protection of cooperative organizations which globalization intends to nurture may turn out to be highly elusive.

#### **8.4 THE TYRANNY OF CORPORATE RULE**

The struggle between two extreme ideologies has been a central feature of the twentieth century. Communism called for all power to the state. Market capitalism calls for all powers to the market-today a euphemism for giant corporations (Korten, 1996:25).

These two aspects lead to their own distinctive forms of tyranny towards nation-state governments and to smaller corporate organizations. The system of multi-national corporate rule, which globalization favors, does not only pose a threat to the governments which give them access to do business in their countries, but also, stifle the survival expectations of smaller businesses whose activities are more locally focused than theirs.

The former Soviet Union may be a good example. Trying to run an economy without markets has turned out to be a disastrous venture. However, there is a fundamentally important distinction between markets and free markets (Korten, 1996:25). The market is said to be “free” when it has no government restrictions or a minimum level of government control - popularly known as deregulation. A market is regulated when it has some level of government control via legislative regulations.

The broader issue of globalization involves not merely the participation of government in running a free-market economy on a global scale, but also its ability to recognize that an economy cannot be separated from running a government that is, economics and governance go hand-in-hand. To counter-balance the effects of the current tyranny of multi-national corporate rule, the government of Nigeria should play a leading role in protecting local community interests first before other considerations. Markets do need government control to function effectively in order to obtain broad national goals.

Government powers in Nigeria should be structured in such a way as to exceed those of multi-national corporate organizations so as to enable them to have a grip on managing the activities of these external institutions. In other words, the government will do a great deal of injustice to the ordinary people of Nigeria if, for any reason, these corporate bodies continue to enjoy the many privileges over the people's own interests. The freeing of international corporate organizations from domestic control as a major element on the globalization agenda is very likely to be against the interests of the people and therefore, should be carefully investigated in Nigeria. Failure to investigate this trend in the past is most likely one of the reasons why the Nigerian government over the years has failed in their role of service delivery with better living standards for the people, as a result of their undemocratic past pointed out in 7.3.2.5. The result has been a breakdown in the Nigerian traditional family unit with many finding "greener pastures" outside the country.

## **8.5 BREAKDOWN OF THE TRADITIONAL FAMILY**

In traditional culture, largely all over the world children benefited not only from continuous contact with both mother and father but also from a way of life in which different age groups constantly interacted. It was quite natural for older children to feel a sense of responsibility for the younger ones. A younger child, in turn looked up to the older ones with respect and admiration and sought to be like them. Growing-up was a natural, non-competitive learning process (Norberg-Hodge, 1996:42).

The pressure to modernize, especially by inter-acting beyond the traditional national boundaries for all citizens, both young and old, has put much pressure on families. This is causing a breakdown in the traditional family unit whereby adults now go beyond the boundaries of their countries in search of better lives; and children are split into many age groups in schools, churches and public institutions, thereby removing them from the older ones from whom they can learn a great deal (Norbert-Hodge, 1996:43).

In many other cases, girls are separated from boys. The western model of the nuclear family is now seen as an acceptable way of life in many communities and countries including Nigeria. Norbert-Hodge also indicated that many family members have lost contact with each other in the name of the borderless world of globalization and modernity. It is important to note here that there does exist some natural and powerful bonds of relationship between parents and their children and every other members of a family unit. Therefore, any method of governance or policy that will sever this relationship will

very likely have a negative impact on the traditional family unity (1996:43).

In my opinion, this may result in permanent separation, loss of culture and identity. Nigeria needs to resist this trend before it is too late. It is also important to note that the entire Nigerian nation-state started from family units. Therefore any breakdown for an extended period of time may lead to the extinction of the country, as it has been known in cultural terms.

Globalization will undermine the traditional family bonds and its values will be broken down. Similarly, the current craving for foreign-made products in Nigerian families carries the danger of making the country a dumping ground for the unwanted and hazardous products from the developed world.

## **8.6 THE NEED FOR CONSUMER PROTECTION**

Today many trans-national corporations have shifted their production operations to the third world where safety and environmental regulations are either very lax or non-existent. Some of these corporations are also concentrating their sales efforts on the markets of the third world, where they can sell lower-quality products or products that are outright toxic and thus banned in the industrialized countries (Khor, 1996:49).

Examples of these hazardous products include pharmaceutical drugs, contraceptives and pesticides banned in Europe, America, Japan and other developed countries but sold by companies of these same

countries to the third world. Khor, went on to say “it is estimated that forty thousand people in the third world die from pesticide poisoning each year and millions of babies have died of malnutrition or illness from diluted or contaminated baby formula pushed by transnational companies that persuaded mothers to give up breast-feeding on the argument that the infant formula is a superior form of nourishment” (1996:49).

The above illustration is clear evidence that the indigenous technologies and products are fast being replaced by foreign ones that may in fact, be sub-standard and hazardous. This trend has taken place in Nigeria over the years and there has been a need to discourage these detrimental practices by strong government legislation. This approach will prevent the danger faced by Nigerians on the issue of using the country as a dumping ground for hazardous and unwanted products from the developed countries. Nigeria should also introduce laws and policies that will prevent the “drain” of their human and material resources to the developed economies of the North in the name of “exporting for foreign exchange”.

## **8.7 DRAIN OF LOCAL RESOURCES FROM THE DEVELOPING TO THE DEVELOPED WORLD**

With their powerful technological capacity and their domination of the new global system of trade and finance, the industrial countries have rapidly sucked out forests, minerals, and metal resources from the third world and used its land and labour resources to produce the raw materials that feed the machinery of industrialism (Khor, 1996:54).



It was pointed out in the introductory part of this chapter that the widening gap between the rich and the poor in Nigeria has reached alarming proportions. Yet, the developed North continues to drain resources from the South and, in turn export the end products of these resources back to them with a large profit. In Nigeria today there are many environmental disasters associated with this practice, ranging from massive soil erosion in the South as a result of petroleum and the exploitation of other minerals, desertification in the north, pollution of the water supply and poisoning from industrial accidents.

Examples of the negative impacts of these include :

- i. transfer of physical resources such as industrial woods derived from trees; and
- ii. transfer of financial resources, yet goods can be bought cheaper in the third world where they originate than to where they are exported.

Locally focused and self-reliant mechanisms need to be put in place by making sure that both exploitation and management of these resources are handed over to local managers and marketers. This involves one of the major reasons why the North is fronting the globalization program. A situation where expatriates exploit, refine and market mineral resources, for a nation-state in any fashion or manner is surely not in the overall interest of that nation. If such a trend continues, one may be right to ask if there can be sovereignty in the context of globalization?

In the course of this economic exploitation the north also uses its technological mechanisms to influence the south, especially by creating a scenario that portrays their own culture as better than that of the south.

## **8.8 HOMOGENIZATION OF GLOBAL CULTURE**

Satellites, cables, walkmans, videocassette recorders, CDs and other marvels of entertainment technology have created the arteries through which modern entertainment conglomerates are homogenizing global culture. With the toppling of the Berlin wall and the embracing of free-market ideologies in the former communist countries, literally the entire planet is being wired into music, movies, news, television programs and other cultural products that originate primarily in the film and recording studios of the USA (Barnett and Cavanagh, 1996: 71-72).

Going by what is observed in every developing country today, it is obvious that the developed world entertainment industries may have overgrown their home countries, more especially the USA. These may be the propelling forces for globalization supporters. The damage this industry is doing to the whole world is more than pursuing the homogeneity of global culture; it is rather another form of cultural cloning (Barnett and Cavanagh, 1996: 71-72).

Humans, by nature, want change and excitement. And more often these entertainment products provide this excitement, particularly to the younger generation. Such entertainment changes their perspectives about their immediate local environment and makes them

crave and aspire to reach out to the broader and the larger globe. Presently, the government, families and tribal structures in Nigeria are thrown into crisis by this sweeping “cultural cloning”. It should be checked by the provision of alternative entertainment products that can be equally exciting but with much more local relevance, otherwise the future of the nation state of Nigeria will be swept aside by western culture and will lose its own identity.

## **8.9 DEREGULATION**

Until recently multi-national corporations were limited in their efforts to cut costs by a host of national regulations that protected the interests of labor, the unemployed, the poor and of course the environment. To the hard-nosed businessperson these regulations were bureaucratic red tape, serving only to increase costs and reduce competitiveness and profit (Goldsmith, 1996:88).

Goldsmith also observes that capitalists are using the above ideology to dismantle the control of businesses by national governments as a disguise towards supporting effectiveness, efficiency and competitiveness. But in practical terms, this approach destroys the traditional role of service delivery by every government through exposing them towards “thinking of profit” on behalf of the people. Large corporations and businesses are usually the crusaders of deregulation and globalization by mounting pressure on governments to get rid of any regulations that would not be in favor of their business interests or laws that could refuse them access to certain “green areas”. They do everything within their powers to declare such areas “trade free zones” (1996:88-89).

Nigeria is already in the forefront of deregulation in their economic policies. These policies contributed to the country's present economic predicament. The negative consequence of increased competitiveness and deregulation can be found in Nigeria and in most third world countries. Since 1985 till the present day, Nigeria has been subjected to the brutal International Monetary Fund (IMF) World Bank "Structural Adjustment Program" (SAP). Conditions given to the Nigerian government by the Bretton Woods institutions among others include :

- i. deregulation of the economy;
- ii. privatization of government companies;
- iii. reduction of the government work force; and
- iv. increase in daily oil production (Osagahe, 1998:48).

However, the socio-economic consequence of these loans lingers until this day. They range from high inflation, devaluation of the currency (Naira), high unemployment, Nigeria becoming a commodity market, to making Nigeria a dumping ground for all kinds of products and losing control over overall economic activities by government. It is clear from the above that deregulation of the economy, as a consequence of the globalization program, should be considered with great caution in the Nigerian economic environment.

#### **8.10 THE GLOBALIZATION PROCESS : SERIOUS UNDEMOCRATIC TENDENCIES**

From start to finish, all elements of the negotiation, adoption, and implementation of recent globalized "free trade" agreements were

designed to foreclose citizen participation (Nader and Wallach, 1996: 93). Contemporary critics' opposition to globalization as discussed earlier in this study (3.5.4) is based on the premise that the entire process started behind closed doors where corporate lobbyists exerted tremendous influence over the entire negotiation. Nader and Wallach cited an example, that the USA has over the years institutionalized corporate lobbying functions, which are kept from the public. Yet the USA is seen as a "global police for democracy and human rights". It is important to note that the globalization thrust emerged despite unified opposition by :

- i. USA citizens;
- ii. organizations;
- iii. environmental and labour groups;
- iv. major family farms; and
- v. consumer, religious and civil rights associations (1996:99).

In view of the above, it is obvious that from the beginning, there was strong majority opposition to the globalization concept and its rules, the WTO still went ahead to agree on this issue without the participation of the people concerned. There is no record of proof that the WTO consulted any international organization or regional economic blocks such as UNO, NAFTA, NATO, ASEAN, OAU, SADC or ECOWAS before their negotiations resulted in firm agreements and their enforcement on sovereign states. This is totally undemocratic and should be carefully considered by Nigeria. Nigeria is already a victim of various internal problems caused by undemocratic governments in the past, and it will face more problems if, for any reason, it gives support to any undemocratic global policies. Nigeria should call upon the WTO

to reform its policy formations in order to accommodate all stakeholders with a genuine agenda for people-centered local economic development through democratic processes. Only then will the WTO regain its lost popularity and, in turn, Nigeria would have shown the world their commitment to genuine democracy and the rule of law.

### **8.11 NEW TECHNOLOGY AND “JOBLESS GROWTH”**

A new technological revolution is fast replacing human beings with high-tech machines in virtually every sector and industry in the global economy. Already, millions of workers have been permanently eliminated from the economic process, and whole work categories have largely or totally disappeared. Towards the end of the 20<sup>th</sup> century, global unemployment had reached its highest level since the great depression of the 1930s. Worldwide, more than eight hundred million people were then unemployed or underemployed. And that figure is likely to rise sharply towards the turn of the new century (Rifkin, 1996:108).

Rifkin, went further to indicate that the new wave of technology is sweeping across the globe both in the developed and the developing world are facing “Technological unemployment”. Multi-national corporations build state-of-the-art, high-tech production facilities and shed millions of low wage laborers who can no longer compete with the cost-efficiency, quality control, and speed of delivery achieved by automated manufacturing (1996: 109).

Many jobs have already been lost in Nigeria due to this trend and much more is on the line. Unless the government of Nigeria takes full control of its economic policies labour to guide this trend, labour loss and unemployment will reach a level at which the government may simply lose control. With the high growth rate in population, Nigeria should aspire to technological development like other countries but should not replace humans with machines in the work place at any cost. If globalization encourages less labor and more machines, then it is not the way Nigeria should go. Counter-balancing policies should be seriously considered.

Going further with this argument, India continues to be ruled in the English way, but without English rulers. This is the tragedy of India, and there was no end in sight. The industrialists, the intellectuals and the entrepreneurs, in collusion with the government saw the salvation of India in her subordination to the policies of the World Bank and WTO. They see India as part of the global economy working hand in glove with the multi-national corporations (Kumar, 1996:424).

Until very recently in India, biodiversity was something held entirely in common by local communities of people. Resources and knowledge about forests and of agricultural properties were freely shared. Whether they were seeds of the farm or plants on the forest, all were clearly understood to be part of the cultural, spiritual and biological commons. The idea that the commons could be divided up, purchased, and owned by individuals or companies for their own commercial purposes was unknown to Indian farmers until the early 1960s, when national conventions established "plant breeders' rights". These new "rights" allowed commercial plant breeders to take

traditional indigenous varieties of seed, for example, improve them, patent and commercialize them, eventually selling back the patented seeds to the communities that first provided them freely (Shiva and Holla-Bhar, 1996:146-147).

This was a clear message that joblessness could multiply when only the interests of commerce are fronted without considering the majority interests of the people. Kumar, went ahead to point out that, the farmers in India are still agitating for the patenting of their seeds by multinational companies and as the Swedeshi is the local self-reliance economic initiative, the majority of Indians opted for it hence the WTO, World Bank sponsors programs failed (1996:424).

The failure of this policy formed abroad and delivered to the people of India, faced a strong opposition to the WTO demands and therefore, the government of India opted to operate outside of the WTO rules in the interest of securing the jobs of its large population.

## **8.12 FOOD IN A GLOBALIZED WORLD**

The global economy poses threats to food security in many ways. Firstly, people who eat food are separated from the farms that produce it by great distances-economic, political and physical. Secondly, the rules of the global economy place the world's food supply under the control of the multi-national corporations that have no allegiance to countries or their citizens. As a result, family-farm agriculture and the rural communities that depend on it are destroyed. Finally, the global economy threatens the biological wealth of the planet (Lehman and Krebbs, 1996:123).



Food, as one of the most important basic needs, should not be treated lightly. The above ideas basically constitute deprivation, denial and degradation of our environment. One can imagine a system where a single farm has a monopoly of production of the supply of food in Nigeria. There will be chaos, prices will soar and the products may not be affordable by the majority of the people. Most agri-businesses are taken from the American model without considering the peculiar nature of the local people. This kind of approach will not work in Nigeria given its diverse cultural aspirations.

Multi-national corporations everywhere in the world of today including Nigeria have relatively easy access to credit, tax advantage; and rapidly expandable production patterns (Lehman and Krebs, 1996:122). Therefore, local indigenous agri-businesses end up in “hand-to-mouth agriculture”. They lack capacity and capital to go into mechanized agriculture that can bring about mass production.

Similarly, Lehman and Krebs argued that the survival of multi-national corporations is based on the fact that they :

- i. introduce capital to gain production;
- ii. substitute new technology for labor;
- iii. standardize food supplies; and
- iv. create synthetic foods (1996:124).

Nigeria will not thrive in such an approach and therefore should encourage local food supply initiatives for its food production. Nigeria can only support food supply on a global scale in those items that cannot thrive in their soil. To encourage the supply of food from

foreign countries in the name of “global food economy” would be mortgaging the future of the country. The issue of food supply within every economy is a serious matter and should be treated as such by Nigeria in this globalization era. The country should go “back to the land” as a foundation to solving their food supply problems. Any benefits of a global food economy as a result of import and export markets should be regarded as an added bonus.

### **8.13 IMPORTS AND EXPORTS IN A GLOBALIZED WORLD**

Those who promote the global economy say that the rules for trade should be based on comparative advantage. In its simplest form, the logic of comparative advantage dictates that countries should buy low and sell high, quite regardless of a product's importance to the local culture and economy (Lehman and Krebs, 1996:124-125).

For example, this would imply that Nigeria could buy rice cheaply from Thailand in large quantities and at a low price relative to the production cost in Nigeria. Nigeria would then abandon the production of rice and encourage the same production in Thailand by importing from them. In turn, rather sell oil or other products to Thailand. Therefore, comparative advantage as a reason for imports and exports in a global economy is geographically baseless. However, the use of comparative advantage over the years did not achieve any economic benefit neither to the producer nor the buyer in the developing world including Nigeria.

It is important to note here that the trade policy based on comparative advantage may lead Nigeria into :

- i. permanent dependence on foreign food suppliers;
- ii. implementing some economic policies that may be destructive to local economic initiatives in the course of maintaining a comparative advantage in a given product market; and
- iii. in times of short supply or no supply at all as a result of mishap, wars, or natural disaster.

Within the given faulty ethics and doubtful perspectives on the import and export market economy, Nigeria should aspire to re-localize and diversify extensively, so as to survive the risks and dangers of the global emerging market system. That will make the country independent of any product shortage or lack in time, or suppliers' misfortune. This will give Nigeria an alternative instead of relying on the potentially dangerous illusion of comparative advantage. The latter trade policy is usually characterized by the so-called "free trade" approach aimed essentially, in practice, at benefiting the multi-national corporations.

#### **8.14 THE EFFECTS OF FREE TRADE IN A GLOBALIZED WORLD**

Global free trade has become a sacred principle of modern economic theory, a kind of moral dogma. That is why it is so difficult to persuade politicians and economists to re-assess its effects on a world economy that has changed radically (Goldsmith, 1996:172).

Goldsmith, went further to analyze this concept by pointing out David Ricardo's contribution, on the two inter-related economic concepts of specialization and comparative advantage, which was tried to proffer a solution to some economic problems of the time and of similar future occurrence. This concept only encourages nations to specialize in those activities in which they excel, so that they could have the greatest advantage relative to other countries (1996: 172).

These ideas are sound but are not valid in a universal context. The orthodox argument is that free market economic policies will create greatly increased wealth and that inevitably some of this will trickle down to the less wealthy. However, on the contrary, there is today a large body of analysis as well as evidence, which indicates strongly that in practical affairs, this approach will usually result in the progressive impoverishment of economically weaker countries by the more powerful ones.

More often than not, producers are attracted to a market, which will provide them with a high return in terms of profit without considering the cultural or traditional importance of such products to local people. Here this principle from a "localization and peoples" protection point of view is an abuse of the local "economic rights" tradition and its cultural derivation. Nigerian economic growth and citizens' empowerment cannot be achieved under this globalization arrangement. It is not in the interest of both the people and the government of Nigeria to adopt this kind of policy that makes the country richer but based on the gradual elimination of the national work force. This is the implication of free trade. It strongly favors multi-national corporate policies to

make profit rather than government policy towards traditional social service delivery.

The upshot of this is, that if Nigeria should consider a free trade policy in all national economic activities in much the same way that it considered the Structural Adjustment Program (SAP) in 1995, the overall economy will very likely be heading towards serious problems.

### **8.15 THE GLOBALIZATION OF STRUCTURAL ADJUSTMENT PROGRAMS (SAPS) POLICY IMPLICATIONS**

In the last years of IMF Director McNamara, structural adjustment loans (SALs) began to provide loans to the debtor countries. The immediate objective was to rescue Northern banks that had become over-extended in the Third World. The longer-term objective was to further integrate Southern countries into the North dominated world economy. To accomplish these twin goals, the World Bank and the International Monetary Fund (IMF) became the linchpin of a strategy that, in effect involved providing compliance to the third world debtors with billions of dollars in quick disbursing (SALs) or “stand-by loans” that would then be transferred as interest payments to the private banks. But to receive SALs the Southern governments had to agree to participate in a structural Adjustment Program (SAP) which was ostensibly designed to make their economies more efficient and better capable of sustained growth (Bello, 1996:285-286).

Bello went further to enumerate the conditions usually attached to SALs are as follows :

- i. removing restrictions on foreign investments in local industry, banks and other financial services. No longer could local industry or banks be favored or protected against foreign intervention;
- ii. re-orienting the economy toward exports in order to earn the foreign exchange required for servicing its debt and to become correspondingly more dependent on the global economy;
- iii. the effect was to reduce self-reliance and to direct local production in favor of single-product manufacture or single-crop agriculture;
- iv. reducing wages or wage increases to make exports more “competitive”. Also, radically reducing government spending, including spending on health, education and welfare combined with wage reduction, would control inflation and ensure that all available money would be channeled into increasing private production for export. But, the few social services that remained were gutted;
- v. cutting tariffs, quotas, and other restrictions on imports, to grease the way for global integration. And devaluing the local currency against hard currencies such as the US dollar in order to make exports more competitive; and
- vi. privatizing state enterprises, thereby providing further access for foreign capital and undertaking a deregulation program to free export-oriented corporations from government controls that protect labor, the environment, and natural resources, thereby cutting costs and further increasing export competitiveness. This had the secondary effect of forcing down wages and standards in other countries - including industrialized countries-to maintain their competitiveness (1996:286).

Nigeria has been a victim of SAP since 1985, in obedience to loan conditions from the World Bank and the IMF. These conditions can be described as “hydra-headed” as it has exhibited so many diversions and multiple adverse implications as observed in the Nigerian experience.

Osaghae, pointed out a few negative impacts these loans have on the Nigerian economy, and they include :

- i. service delivery collapsed in the public sector;
- ii. rural development came to a halt;
- iii. the “nose-dive” of the exchange rate from #2.00 (two Naira) equal to one USA dollar to #80.00 (eighty Naira) equal to one USA dollar;
- iv. colleges, universities and research institutions closed for about two years because of the government’s inability to pay teachers salaries;
- v. the overall economic activities became stagnant; and
- vi. foreign investors that the loan conditions are supposed to attract began to withdraw their investments from Nigeria to a healthier environment (1999:5-52).

The SALs was an economic disaster from which Nigeria has not recovered up till now. SALs are a globalization apparatus, which has ruined many developing world economies. Bello pointed out that the IMF economist Mr Moshin Khan has acknowledged that this method is a failure. Despite its application growth still eluded the developing economy between 1973 and 1998 (Bello, 1996:287).

The previous Nigerian government's reduction of spending, cutting wages, reduction of the work force and affecting other loan conditions in order to build up a new export-oriented economy, literally destroyed the Nigerian domestic economy. These policies led to an overall economic contraction with high inflation and unemployment, in sharp contrast with the aims and objectives for which the loans were sought. In essence, SAP failed in Nigeria because of the loan conditions attached to it. But, as an economic stabilization mechanism, SAP might have achieved a high level of economic recovery in Nigeria if it were not for strict conditions that accompanied the borrowing with debt servicing. But if SAP were used as an internal economic policy, the government would have used "stabilization and adjustment" programs (SAAP) to achieve all its economic recovery objectives without borrowing from any body. The very basics for "adjustment" in the Nigerian economy need to be considered only if it is to encourage sustainable development of both the people and the economy without borrowing rather by re-localization aimed at using various local economic generating programs.

Structural Adjustment is one of the options for recovery of an erring economy - but only if the right strategies are used as part of the conditions. However, there are other management paradigms, which have failed over the years in their quest for reviving economies. A few will be discussed for the purpose of this study.



## **8.16 SOME FLAWED POLICY PARADIGMS**

### **8.16.1 Introduction**

It has become very apparent that the so-called free-market, free-trade, Gross National Product (GNP), comparative advantage and other key economic proposals which the developed countries have used with developing ones, have failed to achieve their aims for economic growth and development and have failed to solve any visible economic problem (Halstead and Cobb, 1996:200-201).

Therefore, continued application of these failed approaches within the contemporary economic development scene should be re-assessed. The developed countries have always argued that they have all it takes to turn around the economies of the Third World. Yet, their solutions seem to be the main problem facing the economies of the developing countries today. However, these advocates do not take into consideration the particular nature of local people such as culture, Local production patterns, natural and human resources, consumption pattern and spending behavior (Korten,1996:184).

Corporate economists have for years used developed economy benchmarks to assess and evaluate economic growth and development of all nations all over the globe. These parameters more often than not have not benefited any developing country and therefore, the time has come for a paradigm shift.

### 8.16.2 Market capitalism

Among the least challenged is the idea that the globalization of market capitalism will solve all economic and social problems. Korten opens up that basic premise to serious question and also argues that the original ideas of Adam Smith have been distorted beyond recognition by the right wing economic ideologies (1996: 184-185).

Over the years, the Nigerian government has been in support of market capitalism. Yet, the ideology deprives ordinary people of social services. Hence, people in government use their “positional advantage” to create private businesses to the detriment of the government and the people so that individualism is encouraged in the name of “the free market”. The defining doctrines of economic liberalism will be familiar to those conversant with the language of contemporary economic discourse. This ideology proposes :

- i. maximum economic growth as measured by the use of GNP - which was discussed earlier in this chapter as a doubtful approach based on the fact that many elements for its computation are controversial;
- ii. a free market, which denotes freedom from government interference, regulation or control, which this ideology claims, results in the most efficient and socially optimal allocation of resources;
- iii. economic globalization is moving towards a “single integrated world market” in which goods and services flow freely across all national boundaries. This ideology also proposes that

- globalization will spur competition; increase economic efficiency and growth which will generally be beneficial to everyone; and
- iv. particular localities achieve economic success by abandoning goals of self-reliance and aspiring to become internationally competitive in providing local conditions that attracts outside investors (Korten, 1996:184).

The above components of capitalist economists have become household ideologies of economic policies in the world today; this is because they have been applied to various economic problems without success. This is why there still exists a lot of “economic casualties” in the world today, most especially in developing countries. Therefore, Nigeria should consider seriously if it prefers individual self-interest or local community self-reliance for improving the standard of living of the poor majority. The latter option will be more advantageous in addressing the needs of the people at large.

### **8.16.3 Policy theory of self-interest**

Advocates of economic liberalism regularly proclaim the inevitability of the historical forces advancing their cause. They assert that globalization and the triumph of the free market are inevitable and that those who oppose it will be swept aside by the rising tides and had best get on board to reap the benefits that are available only to the faithful (Korten, 1996: 188). It is note-worthy that those who dislike governments use this ideology to front their opinions and interests. Managers and heads of corporate organizations use their financial strength to attempt to control all economic activities within the area in which they operate.

Nevertheless, this policy approach has failed to bring growth and development to all nation-state economies, but only succeeded in making big corporations bigger and small businesses smaller by literally removing control from the state. Similarly, evidence can be found in Nigeria where big oil companies like Shell, Chevron and other corporations operate by their own dictates and often times in conflict with the government legislation. Therefore, the economic theory of self-interest that proposes neo-liberalism and free-market economies should be very carefully considered in the new Nigerian economic recovery plan. There might well be an urgent need for a change.

#### **8.16.4 Gross National Product (GDP) as a measure of national “progress” in public governance**

To hear economists tell it, life in America has never been better. The GDP-their standard gauge of progress - has continued an upward climb for the last fifty years. Through early 1995, newspapers were marveling at the most recent period of “economic growth”. Things were so good, the experts said, that the Federal Reserve Bank was striving to dampen the flames, lest the riotous good times get out of hand (Halstead and Cobb, 1996:198).

Halstead and Cobb went further to point out that it was clear that majority of the people did not understand what the newspapers were reporting because there were no changes in their living standard. The American government financial book, which originated the report, was computed with GNP as a measurement standard, without taking

into consideration many other major economic factors that could influence the published figures (1996:198).

Following the above view, people were still working longer hours and earning lower salaries and wages, the widening gap between the rich and the poor progressed continually and crime and other social problems were still on the increase. Yet economic progress is said to have been recorded, unless the figures were computed from only the middle and the rich classes in the USA as at that time, it does not reflect real economic performance.

According to Hallstead and Cobb, the Gross National product does not take account of the following :

- i. depletion of the natural resources. In accounting terms, the GDP treats the extraction of natural resources as income, rather than the depletion of an asset, which it is;
- ii. GDP likewise counts family breakdown and diseases as economic boom, for example, Divorce will bring income to lawyers, while diseases like aids would reduce populations;
- iii. the GDP completely ignores transactions that are not conducted through money. Yet it is obvious that in the developing world, the most productive sector of the economy is the informal sector where much money does not exchange hands. Therefore, it is imperative that what economists see as growth on GDP where money is involved, is a mere shift in patterns of exchange from the less moneyed sector to a more capital intensive sector where money is visible in all transactions;

- iv. GDP takes no account of income distribution. It is likely that an increase in the total output of national production is not a signal for progress in an economy. Similarly, wage increases do not mean that the living standard of every citizen is better. The majority of people in every nation-state enjoy wages, salaries and other sources of income that are not recorded, and most of them are within the poverty group. Therefore, wage increases may be a boom for a few people while the poorer majority are still as poor as they had never expected;
- v. the GDP also ignores the drawbacks of living on foreign assets. Most developing economies, have been borrowing money in exchange for the usage of other natural resources, this has created a high level of consumption which can be avoided if they live within their resources (Hallstead and Cobb, 1996: 200 - 202); and
- vi. interpreted in the neo-liberal manner, globalization is portrayed as a universal blessing which is going to fling open the doors of caves filled with uncountable wealth before the suffering and hungry, thus ensuring material welfare, spiritual upsurge, health and access to education for all humankind, as well as protecting human rights and dignity. But if it is absolute good, why has the per capita Gross Domestic Product (GDP) decreased in 80 countries within the past decade, producing innumerable negative social consequences in the form of the spread of poverty and disease, deterioration of the quality of life, shortening the life-span, and increasing the number of illiterates (Vassilev, 1992:2).

But, in the long run, the effects of using the GDP as a measure for national progress seem perverse and most often have a negative effect on the debt repayments on loans owed by developing countries. It is important to note here that both the IMF and the World Bank use GDP as a benchmark in making any economic judgment. These international bodies use this misplaced judgment for both the rich and poor countries hence the latter could become less sufficient and less sustainable economically. This is the real position in Nigeria today as general strain and anxiety engulf everybody. The emphasis on GDP in developed countries could be associated with the basic facts of politics. As indicated above in the American situation, the GDP reflects the desires of the major forces in the economy and keeps social and environmental destruction out of sight and mind of the ordinary citizens.

The volume of production and consumption as the only measurement for the progress of an economy in the name of GDP has to be reconsidered. There are many other factors that are neglected and therefore are not in any record but which play major roles in the progress of any given economy.

In Nigeria, because of the political influence of the multi-nationals, many accounting protocols may have been manipulated in favor of these business giants against the interests of the people's economy. Similarly, as long as the profits of the multi-nationals are attributed to their home countries, it will be difficult for such gains to be reflected in Nigerian economic progress. GDP does not take account of many economic issues that have to deal with the peculiar nature of the local

economy such as culture, religion and / or the choice of one product over the other as a result of ethnic perspectives.

Nigeria, at this stage of its development may need to devise a comprehensive, locally oriented mechanism as an alternative that will be used in measuring its economic progress or failure. It may be called a Genuine Progress Indicator (GPI) and should constitute all the necessary components of national economic activities and hence reflect genuine progress or failure in the Nigerian economy. It will then indicate the true economic welfare position of the economy at any point in time for national economic forecasting, planning and development.

## **8.17 CONCLUSION**

It is necessary to clarify the connection between Nigeria's local problems and the multi-national corporate drive for economic and political globalization. If this is not done, then globalization will apportion the blame for these problems as "its the immigrants", "its the welfare system" or "its greedy farmers or workers". Allowing the camouflage of the real causes of these multifaceted problems could mean that citizens come to be divided against each other to the benefit of the corporate agenda (Nader and Wallach, 1996:107).

Globalization is a process that has been going on for a long time. The term "internationalization" was used until the WTO decided to give it a new name by institutionalizing it - but again without consultation and democratic process. However, there are always two sides to every story. Globalization has both positive and negative impacts on



developed and developing economies. But, for the purposes of this study the fact that the negative impacts often outweigh the positives, consideration was given more to the negative consequences, which are more detrimental to the economies of the Third World and to Nigeria, in particular.

One of the clearest lessons Nigeria should learn from recent experience is that highly centralized commerce is both environmentally and democratically unsound. Yet, it will not be possible to stop the globalization process either in general or under the present system of government.

But unless the globalization agenda is modified from favoring big business towards the betterment of the people at large, it will continue to have devastating effects on democratic options and institutions of the Third World, including Nigeria.

The Nigerian government should, at this stage, see globalization as a huge challenge that can only be dealt with by tailoring their domestic policies towards :

- i. avoiding the dangers of globalization;
- ii. creating community- based production initiatives;
- iii. encouraging more flexible people-centered development that is more adaptable to the people's needs and environmentally sustainable patterns; and
- iv. providing local capacity development that could be more easily subjected to democratic control that is, less likely to shift their

operations abroad and more likely to perceive their interests as overlapping with that of the community.

Finally, the Nigerian government may need, as a matter of urgency, to put the interest of its own citizens above every other consideration by initiating integrated localization programs to counter-balance the negative consequences of fast-growing globalization.