

CHAPTER 9

UNFETTERED GLOBALIZATION IN NIGERIA : SOME FURTHER POLICY IMPLICATIONS

9.1 INTRODUCTION

The overall impact of economic globalization can be very complex. Hence, only some key aspects are discussed below for the purpose of this research. However, it can be stated unequivocally that in general, globalization has further entrenched the reign of North / South inequality and the results include deprivation, starvation and even death wrought upon many Southern countries (Bello, 1994:13).

The vast economic reach of transnational corporations has undermined the domestic economic interests of Nigeria especially with respect to its investment requirements. This position has a cascading effect on state power in relation to the provision of social services, industrial relations and general economic management. Through economic might that is, locational flexibility and subcontracting, the quality of direct employment offered by trans-national corporations may be often precarious and repetitive, leading to oppressive and abusive conditions. People may take these jobs for lack of something else to do in the face of a high level of unemployment. Generally, globalization impacts negatively on a country's relatedness and inter-relatedness, politically, economically, socially and environmentally.

Today, globalization is often regarded not so much as an option for Nigeria (and other third-world countries) but as an imperative – they

are inevitably pulled into global political, economic and cultural relationships without their consent. Global wealth is unevenly distributed and globalization today is often seen as a refined version of capitalist colonialism. As discussed earlier in section 8.14 of this study, rather than fostering a sense of common belonging in the “global village”, neo-liberal economic practices are bringing the world back to the Darwinian jungle of the survival of the fittest in which everything exists in a perpetual state of fierce competition in pursuit of self-interest.

In Africa there are two competing schools of thought in response to globalization. The first seems to be Afro-pessimistic, asserting that Nigeria has failed to establish itself in a decisive way as an efficient member of the global economic system. Consequently, Nigeria finds itself increasingly marginalized because of some two decades of military government, and facing continuing economic crises. According to this school, Africa’s present economic problems emanate from both the political and economic front. Politically, in view of a global move towards liberalism Africa is being caught in the dilemma of “privatization of state assets and the liberalization of the economy” (Mazrui, 2000: 923-924).

As a result, there is no symbiotic relationship between economics and politics. Related to this school of thought is the European-diffusionism theory, which sees the earlier rise of Europe to world dominance as attributable to a unique European superiority of race, environment and culture, while progress for the rest of the world then resulted from the diffusion of this European civilization. Europe thus sets the pace for global civilization (Mazrui, 1999: 294). Moreover, Afro-pessimists give

us a picture of Africa as completely incapacitated where everything is dark and gloomy.

Mazrui, went further to explain the second African view of globalization as that of the “cultural vindicationists”. They have been successful in their deconstructionist efforts of what they perceive as the “Western project” of cultural bastardization of Africa through the use of colonial institutions and the hegemony of Western culture in African lives (1999:294).

The weakness of the cultural vindicationists is that, while they have been prolific in their deconstructionist criticism, they do not offer positive alternative theory and practice for Africa. The idea of globalization, moreover, poses a threat to the cultural vindicationists in the sense that globalization is evolving towards the idea that no culture is a closed system. The internationalization of exchanges between people now embraces all nations and cultures without exception. Therefore, following upon the above two views of globalization, Nigeria clearly has some serious choices to make on the economic, socio-political and technological fronts. These are briefly discussed below.

9.2 ECONOMIC CONSIDERATIONS

As a country, Nigeria is highly susceptible to trends in the economies of its major trading partners. Like most developing countries, Nigeria trades with European, American and Asian countries. It is to be expected that economic changes in these countries will have an impact on the domestic economy of Nigeria. The East Asian financial crisis

commenced with Thailand's currency crashing and its subsequent spread to other countries. Although Nigeria used to have a stable macro-economic environment in the early seventies to early eighties, it did not escape the Asian crisis and other negative foreign economic consequences. Among others, it had to diverge from its growth strategy to cope with the new economic situation and especially a weakening of the growth in export demand. In the primary economic sectors, a steady decrease in demand was experienced in the period 1985–1999. This has been attributed to the weak global demand and the consequent decline in international commodity prices and the Structural Adjustment Program (SAP) imposed by the IMF, as a result of loans initiated by the Nigerian government. These tendencies contributed to a strong slow-down in every major economic activity in Nigeria, as evidenced by the fall of the Naira against the dollar and a high level of domestic unemployment and inflation.

As the economic crises in the Asian countries continued, its effects on developing countries became more devastating. Export volumes were adversely affected. According to the new Nigerian economic policy plan for 1999–2003, the volume of merchandise exports declined by about 3 percent in the third quarter of 1998 and by 3.5 percent in the fourth quarter.

The GDP recorded a growth rate of 2.4 percent in 1999 while the current government expected target for 2003 would be 10 percent. Similarly, the inflationary rate of 13 percent was recorded in 1999 while the target for the 2003 will be in single digits (1999:10). However, it should also be noted that the prices of merchandise

exports, many of which are determined in foreign currencies, benefited from the depreciation of the domestic currency in Nigeria.

The impact of globalization is sharply illustrated in Nigeria as its capital market may be described as volatile prior to the democratic election of 1999. During the era of military government, domestic private and government institutions dominated transactions on financial markets. After the assumption of power of the democratically elected government, and the abolition of economic sanctions against Nigeria, the financial markets have become more vulnerable to foreign induced crises.

Nigeria's new democratic government was broadly admitted into the global economic scene. Morrissey, described the global watch on Nigeria's new democracy, in the words of Mr Paul Nielson, EU Commissioner for Development and Humanitarian Aid, "Nigeria is not just any country, it is a very important country, now witnessing an evolution everybody is watching very closely, the return to civilian rule, to democracy and the rule of law" (2000:26). The rate of foreign investments became high as foreign capital was attracted into the country following the new democratic political and economically friendly environment.

It is important to note that prior to this time there was a persistently high crime level and abuse of human rights under the military rule, which resulted in a quick withdrawal of foreign capital and investment between the early eighties and late nineties. This simply illustrates that an acceptable political dispensation in a developing country does tend to attract foreign capital. However, political instability or adverse

social conditions can easily lead to a withdrawal of foreign capital. Donors investing in developing countries require some assurance that they will obtain a positive return on their investments. If this appears to be doubtful they will rather invest in other countries.

Conventional thinking may suggest that developing countries are heavily dependent on foreign assistance to induce economic development. In most cases they rely on the involvement of international bodies such as the World Bank and / or the International Monetary Fund. These institutions play a significant role in shaping not only economic and financial policies, but often require countries to adopt specific overall policies to qualify for assistance.

Some countries adopt overall development policies of their own volition. International financial assistance is then applied to implement such policies within a framework determined mainly by the country receiving assistance. However, in a number of cases, countries fail to adopt clear development policies, which result in donor institutions being compelled to prescribe the policy frameworks required to qualify for assistance. The latter category of countries then has to abide by the conditions set by such institutions, often with a resultant negative effect on the options available to adopt their own independent policies.

In a study entitled "An empirical capital market rate function for an emerging market economy in international financial crises" (Harmse and Du Toit), it was concluded that "capital markets reacted mostly to exchange rate changes, foreign market sentiment and foreign related economic indicators" (1999:2, 3). In the case of Nigeria, this situation applied during the financial crises in the later parts of the 1980s. This

became apparent after the introduction of the Structural Adjust Programme (SAP) in 1985 by the military government, and after the 1999 democratic election, which exposed Nigeria to the global financial markets and allowed international sentiments to dominate the movements of the country's capital market rates and the unfavourable conditionalities of the IMF loan facilities. This unfavorable market scenario prompted Nigeria to withdraw from the IMF agreements at the end of the first quarter of 2002, aimed at delivering better services to all Nigerians (Access<<http://www.nigeriaembassyusa.org>>).

Nigeria is an integral part of Africa. However, in the period prior to the democratization of the country in 1999, it viewed itself more aligned to Africa and more especially to the West African sub-region. Since the new government assumed power it has increased its involvement in other parts of Africa, Asia, Europe and America, and, in particular in the Economic Community of West African States (ECOWAS). However, it should be considered that the World Bank itself could not be expected to provide leadership in this regard. Other political institutions should contribute to deal with the vexing problems of the declining authority of government in some states in Africa.

It is important to note also, that lack of coordination amongst donors, for example, the World Bank, the International Monetary Fund, US Aid to name but a few, attributable to the differences in strategic, organizational and political interests involved. A solution to this problem is not clearly at hand as this dilemma experienced by donors is as old as development cooperation itself (Jakobeit, 1999:4). Thomas is of the opinion that countries are often also not concerned about coordination of donor funding as they could play off various

donors against one another so that they can divert resource flows into their own pockets without hindrance (1999).

From the above remarks, it could be argued that donor funding to improve economies as well as to promote the human development of a developing country such as Nigeria are complex operations. Access to international funding could easily result in distorted development projects due to the availability of funding by a donor without necessarily considering the interrelationship among projects. Thus, globalization financed through a myriad of donors could be detrimental to co-ordinated development in Nigeria. Therefore, some of the expected economic gains of globalization may well remain elusive.

9.3 SOCIO-POLITICAL CONSIDERATIONS

Globalization does not only affect the political independence of states, but as has been indicated, it also makes countries economically more susceptible to world trends. These in turn, affect various social issues, which may have a political or economic undertone, as the World Trade Organization (WTO) experienced since 1999.

By signing the GATT Uruguay Round and setting up the World Trade Organization, governments have effectively delegated the task of running their economic affairs to an international bureaucracy that is still more distant from people's lives, indifferent to local concerns, and subservient to the multi national cooperation that the global economy has truly been designed to serve (Goldsmith, 1996:508).

Similarly, it was pointed out in the 1996 South African Yearbook that the World Trade Organization (WTO) has become of considerable importance in the global village. The World Trade Organization superseded the General Agreement on Tariffs and Trade (GATT) on the first January 1995 (1996:241). After the Marrakech Agreement of April 1994, Nigeria started having a special interest in this body's policies and programs, which covers services, agriculture and trade-related aspects of intellectual property rights, among others.

The World Trade Organization presently consists of 135 member countries while 32 more countries have applied for membership. Its philosophy is based on the theory that when countries can trade freely with one another, without import tariffs or other measures to protect a domestic market, the world economy grows and everyone benefits (Pretoria News, 2 December 1999, p. 18).

The general objective of all World Trade Organization agreements is trade liberalization with increased transparency and improved discipline. This objective, however, implies increased exposure to international competition. This has resulted in serious opposition to the World Trade Organization's activities (South African Year Book, 1996:241).

During the WTO global trade talks in Seattle, USA in December 1999, World Economic Forum in Davos, Switzerland, and another similar disruption in Melbourn in August 2000, anarchists, senior citizens and various labour unions demonstrated. The reasons for the demonstration included threats to the environment, genetically modified crops and, in particular, the threat to workers in national

states. Workers' participation in the demonstrations maintains that the World Trade Organization was a sinister tool of big business (The Weekly Telegraph, October 4-10, 2000).

The developing nations, in particular, argue that they are being marginalized and that the proposed American new labor laws would exclude them from Western markets.

The opposition to the World Trade Organization does not mainly concern international trade. It concerns the effects of international trade agreements on work opportunities, environmental issues as well as human rights in national states. It was reported in Pretoria News (December 2nd, 1999, p. 2), that the US Secretary of State argued in the speech prepared for the Seattle meeting, but not delivered, that the World Trade Organization cannot be effective without public trust. This statement amplifies the view that any international body should acknowledge the social, economic and political situations in its member states.

In the case of the World Trade Organization, it could be expected that attention should be devoted to the relationship between trade agreements and labour standards in the respective countries and the latter's effects on foreign trade. The poorer countries, in particular, argue that the World Trade Organization does not succeed in allowing them to compete in the global markets. Although these arguments have been raised, it could be countered by the requirement that manufacturers should become more competitive and that workers should not hide behind liberal labour laws to remain inefficient.

Loss of job opportunities may be partly due to international trade, but each country should ensure that its internal policies will promote efficiency and effectiveness and thus make it internationally competitive. It is obvious that governments who form part of the global village will have to consider ways and means to improve the living conditions of its communities. If proof cannot be provided that international participation has a positive effect on social conditions, serious opposition could occur which in turn will be detrimental to international cooperation.

It appears as though the concept of Article 1 of the GATT, which is the cornerstone of the World Trade Organization, are not as successful as envisaged. The Article obliges the World Trade Organization to extend Most Favoured Nation (MFN) treatment to all other states that are party to the agreement (Thomas, 1999:3).

Thomas went further to point out that MFN status is synonymous with non-discrimination and equal access to all WTO-members. Exceptions to the aforementioned rule are (1999:25) :

- i. non-reciprocity in the case of developing country WTO-members;
- ii. differentiation in the case of developing country WTO members;
and
- iii. trade within the context of a regional agreement.

These exceptions are not discussed here. However, it should be noted that the WTO has not succeeded in dealing with these issues in a satisfactory manner, as developing countries were divided in an

artificial manner into least developed countries (LLDC) and developing countries (LDC). This resulted in unfair discrimination against those countries not poor enough to obtain favoured treatment. Thus, the WTO is still struggling with mechanisms to ensure fair competition amongst so-called LLDC's and LDC's.

It could be argued that the developments that have taken place in the last two years indicate that the WTO would have to reconsider its core policies. Preferential treatment seems to be unacceptable economically, politically and socially. This is borne out by experiences of five Latin American countries regarding restrictions on the importation of bananas by five European countries in 1993 (Thomas, 1999:12). Therefore, Nigeria's economic progress, in the face of globalization, will be elusive following the current WTO policies. Hence, the traditional social-welfare service delivery is still the responsibility of the government of Nigeria and not of any global institution or any international donor.

9.4 TECHNOLOGICAL CONSIDERATIONS

The rapid expansion of technologically advanced communication systems has had a significant effect on the economic, political and, in particular, on the social scene in independent countries. Individuals, interest groups and non-governmental organizations have access to a wide range of information sources and even advice as well as teaching and training facilities. These could be classified as the advantages of technology. However, individuals such as those criminally inclined have the same access. Similarly, children have the opportunity to gain access to material, which could be regarded as socially unacceptable.

Presently, it seems to be impossible or impractical to limit access to information available on the Internet. The misuse of the computer has already resulted in the loss of confidentiality and hackers gain access to information they are not entitled to, for personal gain. Although the misuse of computer information is mostly used for financial gain it could also be applied to induce individuals to act in a certain manner to prevent personal information being made public. For educational purposes technology is a boon in Africa. It provides access to the best possible teachers and lecturers countrywide and worldwide. However, it should be borne in mind that these technologically advanced facilities require electricity. In many rural areas in Nigeria and the rest of Africa, electricity is a scarce or even unavailable commodity. This implies that the poor and poorest of the poor cannot benefit from the technology available. The advantaged groups could thus again be favoured in the sense of being able to gain access to the Internet and other technology to improve their skills and knowledge. The poor, however, are not afforded the opportunity to escape the poverty cycle.

Technology and information are often considered as prerequisites for improving living conditions and thus also social circumstances. In the present situation, it appears as though globalization will not succeed in addressing the real needs of the people in terms of re-inventing good policies and products to improve the social conditions of all sections of the Nigerian society.

9.5 SUMMARY

Globalization is not an event, but should be considered as a process, which should afford independent states opportunities to cooperate and

liaise with one another of their own free will. The overall objective could then be viewed as the improvement in the living conditions of societies in Nigeria and in the various states of the world. The improvement could be turned into local economic self-reliance through the use of the above factors namely, Economic, Socio-political and Technological means.

Globalization does not imply that only advantages could be identified and that only benefits are derived from the process and through various international and supranational bodies. Some inherent dangers have been pointed out for example the possible loss of autonomy of a state of Nigeria in favour of participating in regional or international trade. Policies of supranational or international institutions may detrimentally conflict with that of the Nigerian government for example, in the case of peace keeping operations that could foster sub-regional tensions.

Globalization introduces a state to various supranational and international organizations. Membership fees have to be paid and obligations honored. It is not always clear whether membership of each one of these organizations results in more advantages than disadvantages or that the benefits of participation outweigh the socio-political, economic and technological costs.

Finally, as established in this study, globalization cannot be stopped or wiped out and thus, a major consideration for the participation of Nigeria in this process should be to establish whether the poor and particularly the poorest of the poor, indeed benefit? It is important to determine whether for example, increased trade does indeed provide

job opportunities and whether technological development does indeed enable the ordinary Nigerian to improve his / her social circumstances. Although it appears that globalization is a phenomenon that will characterize this millennium, attention should be devoted most importantly towards defending Nigeria's sovereignty. The government of Nigeria should not compromise the fact that the country is still considered as the building blocks of a larger society, therefore supranational and international bodies should reconsider their roles and influence to guarantee the continued existence of states as socio-political and economic entities.

Following the underlying difficulties that Nigeria could experience within the new globalization era, it will be important to consider several public policy reforms that will empower the citizens and broaden the economic base of the country. Greater localization towards local self-reliant and sustainable empowerment may be one of the major policies that can well counter-balance the negative effects of globalization process.

9.6 NEW POLICY ALTERNATIVES FOR GLOBALIZATION IN NIGERIA

9.6.1 Greater localization in Nigeria

In view of the fact that globalization and its negative implications and lessons for developing countries have been established in this study, it is important to proffer some alternative policies for Nigerian people to consider in order to counter-balance their involvement in the globalization process. These alternatives might well assist the present

and coming Nigeria governments to address the serious problem of poverty and unemployment in the country, and to provide services more efficiently in a way that responds to the major needs of the people.

Around the world-from North to South, from far left to far right-recognition of the destructive effects of globalization is growing. However, the conviction that the solutions lie with localizing economic activity is far less widespread. Many people seem to find it difficult even to imagine a shift toward a more local economy. "Time has moved on" one hears, "We live in a globalized world" (Norberg-Hodge, 1996:393).

The ultimate goal of localization is to build up a truly sustainable economy and to move away from an economy that subjugates local initiatives to global pressure. Localization of an economy can be both worthwhile and affordable provided there is an appropriate vision and planning right from the start. This is where the Nigerian post-independence experience may be useful. A mistake in the initial planning of a localizing economy can create more work for the country in the long run.

However, the issue of localization in this part of the study considers some of the ideas that provide the rationale for the local economy, and explores strategies required to assist a transition towards a more viable, and more sustainable Nigeria. Norberg-Hodge, also pointed out that localization should entail an adaptation to cultural and biological diversity. Therefore, no single blueprint would be appropriate

everywhere. The range of possibilities for local grassroots efforts is as diverse as the localities in which they would take place (1996:404).

Localization also means adapting a product or service in an economy to a specific need of a people or group aimed at achieving greater self-reliance (Localization Issues, 2000, Software Developers, Access<www.sdlinth.com/2001>.p.2).

Localization is a way of integrating the whole of community products cohesively into the economic need of the target group. Localization tends to achieve its objective of local economic self-reliance by several methods on one hand, Norbert-Hodge described them as :

- i. creating working local economies all over the country;
- ii. creating a local economic development environment for economic growth;
- iii. creating local employment in the communities;
- iv. creating sustainable local economic development and income for the people; and
- v. local spending within the community thereby encouraging several economic activities within the community so that money changes hands within (Norbert-Hodge, 1999:400-403).

While on the other hand, Douthwaite, described them as :

- i. establishment of an independent banking system, so that a community can continue to function economically, even if at a reduced level, whatever happens to money supplies in the world outside;

- ii. establishment of an independent banking system, so that an area's savings can be made available to projects serving the community at interest rates such a venture can afford without passing through institutions that would be affected by an external financial collapse;
- iii. production of enough energy from local renewable resources to meet an area's needs, however difficult this might seem; and
- iv. production of the area's basic food and clothing requirements without the use of inputs from outside (1996:50).

However, counter-balancing globalization trends requires a local initiative that is sustainable, outcome based and relatively cheap and affordable to the members of the community. In an official speech, President Thabo Mbeki, of South Africa, described globalization, as being like the "weather", that is, we have to learn to live with it. But like the weather, people can learn to protect themselves against it (Mbeki, 1998:2). Similarly in the introductory part of the Case against the global economy (1996), Jerry Mander described globalization as a "tiding wind" which is no good to the developing economies (1996:4).

Many forms of dislocation result from unfettered globalization, where the imperative is ever greater, and more predatory unsustainable growth, with an accompanying and often dreary standardization of many aspects of life as well as the loss of political and cultural self-determination. Essentially, the process has many worrying undemocratic aspects such as growing wealth and hence ever greater political influence concentrated in the hands of the comparatively few with massive social dislocation as its logical consequence. Many studies point to an ever-widening gap between rich and poor.

Wealth appears to be rushing upwards into the hands of powerful shareholders and corporate moguls. In the United States, 40% of the nation's wealth is currently concentrated among 1% of the population rather than "trickling down" to the broader population (Pitchon, 2000: 15).

What is needed is not the large-scale promotion of the large scale but the large-scale promotion of the small scale. This represents a shift away from global dependence towards local interdependence. One consequence would be that many people could remain on their land as self-reliant smallholders in many third world countries including Nigeria.

For this process of promoting the small-scale businesses and farmers, the Nigerian government may have to make some reasonable inputs in areas of capacity development with small scale lending policies and judicial legislation to protect them from the domination of the multinational companies.

Governments, in developing countries, including Nigeria make policies and can also change them. There is nothing inevitable about "unfettered" free markets, which unfetter some and fetter so many others, consigning millions to a loss of local self-reliance, cultural diversity and political autonomy.

Governments all over the world should not attempt to drive localization programs. Rather they should make inputs into the process by creating a friendly environment for promoting and

encouraging people-centered, local community initiatives. The people drive localization themselves for the purposes indicated earlier.

9.6.2 Community self-reliance

Community self-reliance may be described as moving away from the emerging global economy in favor of community-based, localized highly diversified economies (Horberg-Hodge, 1996:393). When a self-reliant community economy is achieved, such an economy may be said to have successfully localized and several benefits as indicated earlier in this chapter will apply.

Douthwaite, went further to explain a self-reliant community economy, as one with a tendency for :

- i. general economic growth to be stimulated as each community makes a contribution through their local initiatives;
- ii. unemployment to be reduced to low levels;
- iii. spending to be more within the community and no longer in cities or outside the local economic system; and
- iv. the local market to be less vulnerable to what happens outside the system (Douthwaite, 1996: 33-37).

There exists a concept of “logic of economics” which perpetuates economic financial, technology and cultural relationship of dependence to be replaced by an “ethics of well-being” based on satisfaction of fundamental human needs and on the generation of growing levels of self-reliance (Visser, 1996: 3).

Visser, went further to describe the principles of self-reliance as follows :

- i. the satisfaction of essential human needs while not limiting economic activity to the basics only;
- ii. reliance on the community itself for economic goods and services, which fulfill essential needs;
- iii. trade over and above the above only when the net balance of costs and benefits between parties, including externalities, is as equal as possible; and
- iv. inclusion of compassion and the will to resist violence, direct or structural, from the outside (1996:3).

In view of the above, a working self-reliant community attracts several advantages, which may include, among others, reduction or elimination of unemployment, high productivity, high capacity utilization of the work force, less inflation and less foreign dependence.

9.6.3 Creating enough elbow room

This implies that new approaches, which will foster sustainable local economic development, will have to be adopted to achieve satisfactory co-existence between more self-reliant local economies and the broad external commercial economy.

Douthwaite, described these three new approaches as :

- i. the availability direct option towards meeting local community needs;

- ii. commercial prices should not determine what locals produce; and
- iii. essential local production processes should be run without inputs from the external commercial system (1996:33-37).

The above new approaches, which are explained in detail below, are essential if greater local self-reliance is to be achieved successfully.

9.6.3.1 Fostering the direct approach to satisfying wants

Two central options are relevant for bringing prosperity to the local places where people actually live namely, (a) the conventional approach that is, supplying local goods and / or services to be sold to customers outside the area and in turn, to buy whatever is needed from the cheapest source anywhere else in the world, and (b) a more direct approach of keeping key production and exchange activities locally - essentially aimed at reducing the often disturbing instability and non-sustainability at local levels typically caused by the high levels of external dependency generated by option (a) (Douthwaite, 1996:33).

Even if the indirect route should be more "efficient" - as convention will have it - local communities should at least be granted the opportunity to pay some insurance moneys if they wish (in the form of higher local prices) to guard against their lives being seriously disrupted by instabilities in the external world. In practice, local economies can indeed boast a wide range of activities that are not only more stable in themselves, but also provide more scope for their members to find niches within which they can fulfill themselves.

9.6.3.2 Commercial prices should not determine what locals produce

Most mainstream economists and politicians believe that market prices alone should determine what is produced, how and for whom because it is uneconomical and inefficient to take other factors into consideration.

This is so because they believe that the market price of anything is equal to its value - which is narrowly correct but only if one thinks exclusively in terms of today's commercial industrial system. In fact, there is little connection between any item's value to a particular community and what their neighbors happen to pay for it generally in the open market (Doutwaite, 1996:35).

The key point here is that "efficiency" can only be measured adequately in relation to the objectives involved. If the overall objective of a market driven economic system should be accepted namely, maximizing individual returns that is, value for money for consumers and maximum money returns on their capital for investors, then the orthodox view would prevail. However, if any particular community should regard other goals as important such as satisfying work, stability from greater self-reliance, sustainability, and fairness, then success or failure should be measured with respect to their objectives and not the narrow conventional ones.

Hence what is efficient for (local) communities can quite legitimately be very different from what is efficient for example, for investors looking largely for high short-term money returns in an uncertain and

tough commercial world. The upshot is that existing levels of prices and/or profit cannot be allowed to determine what should be made or grown in local communities. Otherwise, producing items of the greatest immediate value to local people such as food, clothing, light and heat will simply be ruled out. Increased local economic sustainability and self-reliance would then become impossible.

The practical implications here are crucial. If many of the types of production necessary to make local communities more self-reliant would, in fact, be loss making at current externally determined prices, there is clearly a huge problem. Unless some way can be found for local producers to make a profit supplying their neighbors with a full range of essential goods and services at prices identical with those from outside all attempts to achieve sustainability through greater economic self-reliance are likely to be stillborn.

Local producers to keep their prices down, can explore two significant avenues (Douthwaite, 1996: 37) :

- i. the wide-spread presence today of high and increasing mark-ups even in competitive markets (often 100% and more) implies that the modern commercial industrial system's very long and elaborate distribution network often charges as much or more for getting products to the consumer that these products initially cost to make. This is a key area for attack in any effort to increase local self-reliance. If a local firm or farm has higher production costs than an external one but can short-circuit the usual methods of distribution by selling directly to local consumers, the savings it should be able to make by avoiding

- the commercial network's high mark-ups ought to be more than enough to enable it to survive; and
- ii. two other potentially powerful avenues through which small local producers can compete on price with larger outside firms involve the community stepping in to lower the labour costs and the capital costs of local firms and community enterprises.

9.6.3.2.1 Lower wages and greater satisfaction from work

Lowering wages is often an unpopular way to go. Yet it should be noted that if a firm sells nationally or internationally the purchasing power the workers give up by agreeing to take less pay gets distributed to consumers throughout the nation or the world. Indeed, there is simply no way of ensuring that any of this sacrifice will ever return to the communities from whence it came. By contrast, if a group of unemployed people should decide to set up a local co-op, producing commodities for sale in their own community and pay themselves less than the normal rate, all the benefits of their decision will stay within the local area. No wealth is lost. In fact, new wealth will be created to the extent that goods and / or services are now being produced where there was nothing before (Douthwaite, 1996:43).

Hence, as a general guideline, lower wages should only be accepted as a way of preserving and / or creating jobs if the goods and services produced will be sold within the local community area. On the other hand, if workers should accept less than the going rate from a local enterprise, they should, in return, seek more satisfying work. It has

been well established that most people desire two forms of satisfaction from work, namely, successfully tackling an interesting and worthwhile task, but also to be appreciated in doing so. From this viewpoint, money returns alone are often less important.

Douthwaite further explained that, in the practical world, such internal personal rewards are often best provided by firms owned and controlled by those working in them. For example, the well-known approach of David Ellerman who initiated ESOPs (Employee Share Ownership Programs) comes pertinently to mind (1996:46)

9.6.3.2.2 Cutting capital costs

Local enterprises can also be assisted to match external price competition if they can get access to financial capital at low interest rates or, even better, at no interest at all. This is actually easier to arrange than it often seems.

It is largely a matter of enabling local firms to avoid borrowing from the national commercial banking sector using the techniques briefly outlined below.

One approach involves a local community creating its own currency which it can then lend to local firms at very low cost to spend within the local area that is, instead of using the national currency. This approach has already been used very effectively in Switzerland where for the past sixty years or so small and medium firms have been enabled to avoid borrowing large sums of working capital from the national banks by creating such moneys among themselves. They pay

no interest, just a small service charge to keep their mutually owned credit system going (Douthwaite, 1996:46).

Yet, even if any local firm needs a national currency loan, this does not have to come from a non-local bank. Often the rate of interest offered by the large national or international banks to community savers is excessively below the rate that they will charge to community borrowers. Much of this disparity could be eliminated if local savings were channeled to local enterprises through well-managed community banks that is, savings and investment institutions.

Given the low cost of overhead expenditure in several factors of production, namely, land capital and labour in a locality, an interest rates charged by local co-operative community banks may be quite low (that is, not much more than a service charge). This is because many local savers are often quite happy with low interest returns on their savings and sometimes even to waive these altogether - provided that economic development in their own areas is promoted. Yet, it remains true that their greater levels of efficiency lie essentially in low overheads and thus low margins, in efficient social policing among members, which often results in low bad debt levels, and generally in much greater local knowledge.

9.6.3.3 Essential local production should be run without inputs from the external commercial system

Douthwaite, pointed out that the objective of this system, is that key local production processes should not be dependent on any inputs from outside the area that is, from the external commercial economy.

The whole spectrum of the “essentials of life” should ideally be provided entirely from within local communities. Four basic steps are necessary to achieve such greater local economic self-reliance and sustainability (1996:47, 48) namely :

- i. establishing an independent parallel local currency system so that a community can continue to function economically, whatever happens to money supplies and interest rates in the external economy;
- ii. establishing an independent local banking system so that an area's savings can be recycled to project serving the local community at interest rates that such ventures can afford that is, without passing through external banking institutions which could be affected by broad financial hardship or even collapse; and
- iii. producing the area's basic food and essential clothing requirements without the use of any inputs from the outside.

The above approaches will tend to pursue greater local self-reliance within a community economy and if applied to the Nigerian situation, the results could be tremendous in meeting the people's need.

9.6.3.3.1 Establishing a local currency (e.g. LETS system)

Douthwaite, in his introduction of LETS, wrote, “money, according to Michael Linton, the developer and popularizer of LETS (an acronym for local exchange trading system). The establishment of a local money system is fundamental to greater economic self-reliance. This is because at present, the level of trading activity in almost every part of

the industrialized world is determined by the amount of money that flows in from outside. Unless that flow is adequate, even jobs that local people could do for themselves without resources will be left undone (1996:65).

If Nigerian communities trade among themselves by using money issued by outsiders, their local economy will always be at the mercy of events elsewhere. This has been a dominant factor that has characterized the local community efforts for decades. The first step for a community to survive in the new globalization era should be to establish a local currency system to promote local economic activities.

Local currencies have historically been a way to obtain greater local wealth and to reduce dependency on unpredictable macro-economic forces. An innovative and increasingly popular local currency / exchange system is LETS, that is, a local Employment / Exchange / Trading system.

Visser, in agreement with Douthwaite, as explained earlier that Michael Linton first established LETS in 1983 when his rural community in British Columbia, Canada, was devastated by an economic recession. The system allows members to trade both goods and services, using a combination of conventional currency and community-created credit called "Green Dollars". By 1990, the Linton system had 600 members with a yearly turnover of \$325,000 (Green). LETS have since spread all over the world and in 1994 approximately 500 systems were believed to be in operation in Canada, the US, England, Australian and New Zealand. Other similar systems are the WIR Network in

Switzerland and “Ithaca” money in New England (Visser, 1996:5, 6, Douthwaite, 1996:65-66).

The rationale for considering the above crucial step derives from two basic considerations :

- i. firstly, if people living in an area cannot trade amongst themselves unless by using money issued by outsiders, their local economy will always be dependent upon and thus, at the mercy of external risks and eventualities over which they have little or no control; and
- ii. secondly, it is simply a fact of economic life that, at present the level of economic activity in almost every part or region of the industrialized world is determined by the amount of money that flows in from outside. If such moneys should circulate inside for some time before flowing out again the “local income multiplier” will be high. If it should flow out almost immediately the local income multiplier will be low (that is, close to the first norm).

This is why the first step for any community aiming to become economically more sustainable or self-reliant, is to establish its own local currency - in effect, to secure a boost to the local income multiplier.

9.6.3.3.2 How a LETS system works

“LETS” that is, a Local Exchange / Employment / Enterprises Trading System, has become a generic term covering a wide range of local currency systems. It uses mostly either the national currency or time

as its unit of measure and usually issues chequebooks to members to effect payment. A computer-based cheque clearing system to record payments in and out of each member's account is also needed. Another key element is a regularly updated directory listing the various goods and services that members are willing to supply and often also including the prices asked.

To ensure that the necessary social controls work well, the total number of members is usually restricted to a few hundred but no more than 500. Such systems have five essential characteristics namely, (Douthwaite, 1996:86) :

- i. they operate on a not-for-profit basis and the costs of administration are paid by each account holder in the local currency unit;
- ii. all accounts start at nil and the account holder has sole control over the movement of money in and out of his / her account, there is no obligation to trade;
- iii. any account holder may know the balance and the volume of trading of any other account holder in the system that is, complete transparency is essential;
- iv. the local currency unit is linked to the national unit; and
- v. no interest is charged or paid on balances.

9.6.3.3.3 Some likely benefits of a LETS system

If a LETS system can work elsewhere, it can work for Nigeria particularly, in this globalization era. The benefits among other things include (Visser, 1996:5-6, Douthwaite, 1996:78-79, 86-87) :

- i. effectiveness in solving immediate local needs of the local community;
- ii. availability of the time and energy of participating citizens;
- iii. emphasis on the trading function and not on interest or other means of profit maximization;
- iv. it is simple and thus, familiar to local communities;
- v. LETS systems depend on their computer-based operations and cheque clearing systems to record payments in and out of each members' account but this can be locally organized; and
- vi. an updated directory listing the goods and services that members are willing to supply (sometimes also including the relevant prices) is regularly available to the LETS membership.

9.6.3.3.4 Some lessons from worldwide experience

In economic terms many LETS systems have been somewhat disappointing. The main thing that any community thinking about starting a LETS system should realize, is that getting the system up and running is not enough. A local currency can only show its full potential if those behind it make a serious effort to develop a wide range of trading activities and also for local businesses do a substantial part of their trade through it.

In its early days all that one can expect economically from a LETS system is that it will provide (Douthwaite, 1996: 78) :

- i. a useful supplementary income for the weaker members of the community that is the old, the sick or the unemployed; and

- ii. a safety net that the employable members of the community may need if things should go badly wrong. Hence, the real benefits at this stage are not so much as personal and social. However, many members feel that it is worthwhile launching a LETS system for these reasons alone.

Douthwaite, also pointed out that an important factor is whether the unemployed - a group that stands to gain the most from such schemes - will put their unemployment or other social welfare benefits at risk by participating. Any tax implications will have to be sorted out carefully with the relevant authorities (1996:77-78).

A LETS system will only work well if there is unemployment and / or underemployment and an inadequate supply of national currency in local region or among a social group. If everyone is fully occupied and finds that their activities are not substantially restricted for lack of cash, why should they bother to join any kind of LETS system? Hence the LETS system tends to be vulnerable to changes in the state of the mainstream economy (Douthwaite, 1996:86).

9.6.3.3.5 Differences between local and national currencies

There are three fundamental differences between national currencies and their local counterparts. A national currency is acceptable anywhere - in some cases all over the world like the US dollar - while a local currency can only be used in a very limited geographical area. However, this restricted acceptability is likely to be an advantage rather than a disadvantage because the smaller the system, the

sooner any spending power introduced into it by a member should find its way back to that member in the form of increased demand for his / her goods and services.

A national currency is always scarce because its total supply is deliberately restricted for fear of inflation. The supply of a local currency is always adequate for its purpose - not too much and not too little - since people doing things for one another create it. As a national currency is scarce, it can be used by those with much of it to gain power over those who have little. A local currency however, can never be used as an instrument of power and domination because anybody who wants it can create their own.

In a LETS system, it is actually the member rich in local units who is in a more exposed position rather than those in debt (Douthwaite, 1996:65).

However, the first fundamental difference exists when the national currency is acceptable everywhere in the nation. The second being that the national currency is always scarce because the supply is deliberately restricted for fear of inflation while the supply of the local currency can go round within the locality. The third is that the national currency comes from outside the community and in short supply, and most of the time with the rich as against the poor whereas the local currency by nature is not an instrument of power.

The establishment of a LETS system as described above is essentially self-regulating. Encouragement of this system will be advantageous to

the local economic development in Nigerian communities. Indeed many such schemes should be encouraged.

9.7 ESTABLISHMENT OF COMMUNITY BANKS

The working of a local currency and system can only be really effective and beneficial to the local communities if there is a coordinating institution such as a "Community Bank". This bank would be responsible for coordinating all banking activities of their community members. The traditional commercial and investment banking activities may thus, be established in local communities to alleviate the external banking needs of the people.

A key rationale for this kind of venture has been expressed as "high interest rates are not the only way in which people can get a healthy return on their savings - institutions that recycle savings locally provide social dividends as well" (Douthwaite, 1996:123).

9.7.1 Short-circuiting local money flow

The point of departure here is that it is not just movement of capital across national a boundary that is harmful. Substantial and continuing capital flows from one part of a country to another are destabilizing, leading to prosperity in one area and decline in another. However, in the absence of any special recognition of both facts, local communities will have to limit such flows themselves if they are to prosper.

What is essentially needed, are mechanisms to channel local savings back into local projects to improve the "local retention ratio" without

the intervention of outsiders. The main reasons for substantially reducing the involvement of outsider banks in one's own communities' (Douthwaite, 1996:124) are :

- i. using an external bank's service to do a job that can be done within the community itself causes a significant loss of local purchasing power which can only be restored if the community sells goods and services to the outside world - thus remaining dependent on it;
- ii. once local savings are passed over to the national banks, they will not return it to the local community and if so, only at interest rates determined on external markets. The level of these lending rates have nothing to do with local conditions or the rates of return that local producers can earn by operating locally; and
- iii. externally determined interest rates are often very volatile so that the cost of borrowing money can vary greatly within a short period of time, thus jeopardizing the survival of every (smaller) local enterprise with an outstanding loan.

9.7.2 The working of a community bank (loans and advances)

To be truly effective, a community bank has to consider its role as lender to local entrepreneurs for the establishment or expansion of their existing or proposed enterprises, since local loans play the vital role of increasing trading by re-circulating available funds within a community. The formal institutional financial and business interests perceive communities as a high risk, with little or no profit in opening

and handling small accounts. Loans to emerging farmers are specifically risky.

Douthwaite, identified some major problems of people accessing the fund available for small business development is a combination of a number of constraints (1996: 154-155) :

- i. the identification of businesses / projects as being needy and relevant;
- ii. assessing them for their viability;
- iii. the management of funds;
- iv. the multiplication and duplication of funding agencies; and
- v. the centralization of funds in metropolitan areas which delays approvals.

It has been customary for employment by others to be sought rather than self-employment, and for needs to be defined in terms of basic infrastructure. However, in the context of community economics, wherever there is a need there is a potential job, a business and wealth creation that can generate further employment expansion.

Secondly, Douthwaite, pointed out the identification of needs, projects, and the responsibility for the management of funds have mostly been assumed by NGOs or some other government agencies. But, with the introduction of a community bank, the community, jointly with a development forum and their trustees will do the assessing, recommendation and monitoring of loans. All these will have more knowledge of the applicants, sufficient to make more informed and ethical decision regarding a loan, than a commercial bank (1996: 154).

9.7.3 A fine example of a community bank (the Mondragon Co-operatives)

The best working model of what a community bank can achieve and how the interest rate problem can be handled at the same time is provided by the working people's Bank - an essential part of the well-known Mondragon Co-operative Movement in the Basque country in Spain. In practice, the bank operates much like an industrial holding company. Each co-op signs a contract of association with it that set out in some detail how it would operate including how profits made are to be handled (Douthwaite, 1996:164-167).

However, in return the co-ops get two considerable advantages. In essence these are :

- i. low cost loans - about half the capital of member co-ops consists of loans from the bank for which they pay interest at rates. Sometimes as much as 5% lower than the prevailing market rates; and
- ii. readily available advice and guidance on whatever problems they have from the bank's consultancy division. This covers marketing, exporting, production techniques, industrial buildings, personnel, legal affairs, and audit and management control systems. In its entire history, only three Mondragon co-ops have ever closed - two in special circumstances. Conventional firms in the Basque country have not done so well - between 1975 and 1983 the region lost 20% of its manufacturing jobs (Douthwaite, 1996:163-164).

9.7.4 Building a community's own local banking system

The first step is the establishment of a credit union if such does not exist already. The primary purpose would be to enable people to buy consumer goods and / or to do house repairs - but without causing a leakage of interest payments and service charges to the outside world. The only decision the community needs to make is whether to charge interest or not. Interest payments may be quite acceptable as long as they stay in the community (Douthwaite, 1996:176).

In consequence, every community also needs to establish a local enterprise investment fund but, together with a team of high caliber people to investigate and help to manage the various ventures into which it puts its money - Mondragon style. Such funds should see themselves essentially as holding companies, which share the management, the profits and the losses of the business people that they work with, as opposed to conventional lending organizations which stand back from a project's problems, insist on a fixed rate of interest, and threaten to call up their collateral and wind up the operation unless it is paid. Where it should differ from conventional holding companies is in looking out for a social dividend as well as for a financial return (Douthwaite, 1996:176).

9.7.5 Security of community investments

The essential principle function of building up a village capital fund is that the loan is not made from such a fund, but that it is used as collateral on which the link bank can make the finance available to the applicant. The opposite of this arrangement is that the entire

community will have to meet any shortfall. However, in borrowing from their own bank, there will be greater inclination towards responsibility and thrift (Time Magazine, February, 1st, 1999, p.2).

The international experience of localized funding associations is that support and monitoring by local participants who are known to each other, militates against defaults of loans. Yet the holding of funds in the formal banking sector negates opportunities for their misappropriation or misuse. Thereby, confidence can be engendered and channels opened for co-operation between many financial institutions and aid agencies to make available their funding through a community bank to a "community development forum" through the following process (Time Magazine, February, 1st, 1999 : 2) :

- i. the preparation of a strategic plan, undertaken through an associative relationship between the community bank management and the development forum, lays the bases for general agreement between all the stakeholders and between consumers, traders and producers on the priorities for investments and developments;
- ii. opportunities for business, social and infrastructure growth are posted on the community information center database;
- iii. the appropriate interest group segment trustee will assist the applicant to complete the required business plan, including all requisite financial information / needs. (Note : the development forum does not "approve" such an application); and
- iv. the applicant then submits its business plan to the community bank whose management either; approves the loans and conditions for repayment, or refers the loan application back to

the development forum to discuss with the applicant the possible reformulation of the application.

In view of the foregoing, the community bank concept is a useful strategy that could offer local initiatives in Nigeria an opportunity of exchanging the accustomed hands-off social responsibility / charity contributions, with channels for investment funds into development where it is most needed and with the protection of its members.

9.8 COMMUNITY SUPPORTED AGRICULTURE (CSA)

Community supported agriculture serves as an umbrella for farmers striving to achieve a number of goals. Mutually beneficial relationships with a community of consumers, environmentally sustainable farming practices and public education on contemporary agricultural issues (Imhoff, 1996:425).

This is another grassroots initiative that will enable consumers to have a direct link with the producers. Both parties stand to enjoy a symbiotic relationship, thereby improving the local economic system. This system will usher in a friendly agro-business environment within the communities. It will encourage local production and hence hands of friendship will be extended to all the stakeholders and participants in the community supported agriculture system.

CSA will thrive better if there also exists a "Local Tool Lending Pool" for tool sharing and repairs in every community. This will harmonize and increase the local productivity and at the same time give farmers a sense of friendliness in the community. The local lending pool will not

only increase and improve production but will also encourage community dependence on tools lending and repairs. Local farmers may often find this service expensive elsewhere so that a lending pool will become a better alternative. CSA is currently not practical in Nigeria. There exists a large number of peasant local community farmers on their individual farms producing on small scale for personal use. Different farmers in the village market put out the remainder of such food production for sale.

This approach is neither encouraging CSA nor an improvement in the local economic activities because it is too small and uncoordinated. But if the government of Nigeria makes some inputs in CSA, it will work for the benefit of the majority of peasant farmers and people will be encouraged to go back to the land for means of sustainable livelihood.

9.9 CONCLUSION

Around the world - from North to South and from Left to far Right - recognition of the negative effects of economic globalization is growing. However, the conviction that a partial solution lies with greater localization of economic activity, is far less widespread. Many people seem to find it difficult even to imagine a shift towards a more local economy.

Many attempts have been made to establish this new concept that can counter-balance globalization and at the same time empower the people towards a Sustainable Self-reliant Local Economic Development (SSLED). Several local community initiatives were suggested to help a

developing economy such as Nigeria to prosper in this era of globalization.

The central idea of localization is for many local Nigerian enterprises to produce for the local community market and not for a global one. In Nigeria, there is an urgent need to foster local economic empowerment for local self-reliance. Therefore, the establishment of several new management and operational tools driven by the local communities are needed. These include elements indicated earlier in this chapter such as :

- i. a local currency such as LETS that is, a local exchange trading system;
- ii. community banks; and
- iii. Community Supported Agriculture (CSA) and other related sustainable local initiatives that can encourage and develop community self-reliance.

However, before a localization program can take effect in Nigeria, the local communities have to become genuinely involved and ready for self-empowerment. As a counter-balance to the increasing dominance of large scale, international commerce, there is a need to foster local economic renewal - localization.

In response to the decline of employment opportunities and medium-scale economic activity, nations such as Nigeria need to find ways to foster local economic activity in both rural and urban settings. The move towards localization has implications at the national, state and local level and is relevant in all countries. It is not a nationalist agenda

and does not involve conventional protective measures. It seeks to regenerate local economies everywhere, promoting democratic involvement and an efficient use of natural resources. This is what Nigeria's need is at this stage in its public policy development.

Greater localization of the Nigerian economy should involve many dimensions. Therefore, no single formula would be appropriate. But, local community initiatives, as indicated in this study, will provide a solid foundation on which the whole economy can be built. Today's globalization problems will eventually be solved by recognizing that local production for local consumption - using local resources, under the guidance and control of local communities and reflecting local and regional cultures and traditions within the limits of nature, is a far more successful direction than the currently promoted, globally centralized, expansionist model. Local economies are far more likely to produce stable and satisfied communities and to protect nature than any system based on the production, consumption, and transporting of commodities across thousands of miles of land and sea.

Localization as discussed here does not abandon international trade among nations or a group of nations, nor does it abandon every technology or transport or communications system. These activities belong in the modern sector of the economy and should be pursued in that context with greater enthusiasm. In this globalization era, there will be little visible growth or improvement in the living standard of Nigerians at large, unless adequate localization measures are introduced as suggested in this study. Localization still stands out as an appropriate mechanism to counter-balance the negative effects of globalization in Nigeria. Greater Community self-reliance will be a

sound foundation for national economic progress in Nigeria and other developing countries.