The State, Market Reforms and Social Inequality in Nigeria: A Political Economy Interpretation

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Received 16 January 2018; accepted 9 March 2018
Published online 26 April 2018

Abstract
The neo-liberal economic reforms and corresponding arrogance of the Nigerian governing class on the inviolability of market reforms depicts aspects of the Nigerian crises. The resultant social inequality among social groups because of the implementation of market reforms raises question on its purpose, relevance, and implications. The neo-liberal paradigm had been posed and foisted on the Nigerian economy by external agencies as panacea to its structural distortions and underdevelopment. The market reforms, however, have been pigeon-holed as retarding development and signposting social inequality. Social inequality reflects the social backlash of economic reforms; the lopsided sacrifices of the working people, urban poor, and peasants in relation to the affluence and profligate lifestyle of state officials and their allies, changing lifestyles and decline in the living conditions of affected social groups. The victims of market reforms question its purpose and insist on endogenous, pro-poor and pro-people based alternative economic and developmental frameworks. The political economy approach offers theoretical basis to examine the Nigerian economy, its social classes, and the ensuing social class struggles against market reforms and social inequality. This work poses specific questions to situate the interfaces of state, market reforms and social inequality in Nigeria. Who are the beneficiaries of economic reform programs? Who are the victims of social inequality? How do the victims respond to social inequality? How do economic reforms result in social inequality? How does the Nigerian state deal with the question of social inequality? How adequate are these measures?

Key words: Nigeria; Market reforms; Social inequality; Social backlash; Structural distortions; Neo-liberal paradigm; Social classes.

INTRODUCTION
The nature of neo-liberal economic reforms and the arrogance of state actors on the inviolability of market reforms depict aspects of the Nigerian crises. The Nigerian state actors embraced the neo-liberal policy to economic management to alleviate the effect of the distortions that characterize the Nigerian economy. The Breton-Woods institutions externally defined these reform measures, but it led to social backlash that worsened social inequality among the social classes in Nigeria.

The state’s responses to improve the economic status of the country and moderate social inequality through reform programs are perceived as political machinations of the governing class to further deplete the national wealth at the expense of the pauperized masses. The trend of social inequality gained currency in the global South including the Nigerian state despite the attempt of the state actors at improving the economy and mediating social inequality (Aigbokhan, 2008; Awe & Rufus, 2012, p.1). The Nigerian oil boom of the 1970s made the economy mono-cultural, and it was the basis for new forms of social inequalities. Prior to the discovery of commercially based crude oil, the economy thrived on agricultural production. The old regions; west, mid-west,
east and north specialized in the production of cash crops for export. The agricultural sector was the main stay of the economy and highest foreign exchange earner. The advent of crude oil export, however, altered the structure of the economy. The oil sector substituted the agricultural sector as the linchpin of the economy and highest foreign exchange earner. The crude oil-based economy led to de-emphasis on agricultural output, disappearance of huge farmlands and plantations, relocation of rural peasants to urban centres for white collar jobs, and the collapse of agro based industries in the regions. This changing nature of the economy increased social inequality as state actors shared oil money through large contracts to their wealthy political cronies who had influence on the state apparatus (Okoroafor, 2016, p.35). Consequently, social inequality became exacerbated between the urban and rural residents, political class and the middle class, governing class, and urban poor/ rural peasants because of the pillage of state resources, diversion of resources, implementation of anti-people and anti-poor social and economic policies, the pursuit of policies that reduces the size and strength of the working and middle classes.

The International Monetary Fund (IMF) imposed the Structural Adjustment Program (SAP) on the economy as strict conditionality for loans and economic reforms (Mimiko, 1995). The SAP appeals to market orthodoxy, and it is characterized by trade liberalization, privatization, commercialization, inflow of foreign direct investment, (FDI), and deregulation. The 1988 privatization and commercialization policies, which is a part of SAP, resulted in increased social gaps between the wealthy and poor due to the manipulation of the exercises and the diversion of funds accruing from the privatization exercise. Meanwhile, the National Economic Empowerment Development Strategies (NEEDS) program launched in 2003 failed to mediate social inequality, though it sought to actualize wealth creation, employment generation and poverty alleviation within the prisms of neo-liberalism and market fundamentalism (Adeyemo et al., 2008, p.123; Idornigie, 2012, p.5). The (UNDP, 2009) insists that the NEEDS program did not minimize social inequality since about 65% of the nation’s assets were distributed among 20% of its population. This work argues that the economic reform measures in Nigeria, particularly SAP, rather than reviving the economy, worsened economic crisis as shown in the increasing level of unemployment rate, increasing level of unskilled labour and growing poverty (Baden, 1997; Obadan, 2003; Umezurike, 2012, p.13). These economic indices deepen social inequality as shown in the increasing disparity between the poor working people, urban poor, peasants, and the rich governing class.

The international financial institutions, however, argued that the underdevelopment of the third world economies was the result of protectionist policy (economic nationalism), and the rejection of the free market policies (the reluctance to open borders and end high import duties, tariff). The international financial lenders insisted that the developing countries recorded increasing poverty and social inequality due to the failure to implement market reforms (Adeyemo, Salami, & Olu-Adyeyemi, 2008, p.121; Egharevba, 2008, p.65). This argument is vitiated by the findings in the latter part of the work.

The increasing social inequality raises question on the purpose, relevance, and consequences of market reforms for Nigeria’s political economy. The harsh impacts of neo-liberal reforms on vulnerable social classes had emboldened these groups to engage it’s philosophical and ideological premises and question its capacity to foster development. This research describes social inequality as the deterioration of living conditions of the working people, urban poor, and peasants in contradistinction to the status of the political class due to anti-people, socially harsh economic policies. The latter part of this work interrogates the social inequalities foisted by market reforms, the responses of affected social groups to their social conditions, the conscious attempt of state actors to contain social dissent occasioned by the harsh impacts of neo-liberal reforms, the adequacy of state led measures to mediate social inequality.

From the foregoing, certain questions are posed to examine the linkage of social inequality and economic reforms in Nigeria. Who are the economic reforms meant for? How do economic reforms create social inequality? Who are the victims of social inequality? How do the victims respond to social inequality? How is the state engaging social inequality? How adequate is the state response? These issues aid to examine the nexus of the state, market reforms and social inequality in the latter part of the work.

1. THEORETICAL FRAMEWORK

Political Economy is the sum-total of relations of production, which is hinged on the economic structure of the society. This approach emphasizes the significance and import of the mode of production, ownership of the means of production and social relations for economic and political choices. It critiques the capitalist mode of production, identifies resultant social class struggles amidst the domination and exploitation that underlie social relations. The political economic theory argues that the capitalist state is organized to reproduce the conditions of capitalism; this state, it asserts, is not ideologically neutral since it reflects and responds to the class interests of the exploiter class. The social relations imposed by the capitalist state, therefore, defines the nature of social classes that emerges and the resultant social class struggles (Ake, 1981, p.85; Aina, 1986, p.4).

The regime of neo-liberalism led to the out-pricing and out-doing of the weak socio-economic classes
The state in Nigeria, sometimes, pursues measures to mediate the social backlash of state actions thereby creating the facade of a state that is caring, benevolent and socially responsive.  

2. THE STATE, MARKET REFORMS AND SOCIAL INEQUALITY IN NIGERIA

Post-independence, the Nigerian economy was predicated on the agricultural sector. This sector accommodated about two-third of the population in the low-income class (Canagarajah, Nwgafon, & Thomas, 1997). Since the larger percentage of the socio-economic classes were involved in rural farming, the nationalists that assumed political power became economic moguls and the national bourgeois class. This class became increasingly acquisitive and it sustained conspiratorial relationship with the former colonial power to plunder the economy for personal and social class gains. The masses belief of the new political class as political messiah emboldened this class to primitively accumulate resources. The state power became an instrument to enrich the political class since the exercise of political power in equated access to the national treasury. The unbridled gains appropriated by the political class did not attract so much resistance in the initial period of political independence because of the low level of consciousness of urban poor and rural peasants. The control of state power and the accompanying primitive accumulation of resources deepened social Inequality as two different extremes; the few rich and the mass poor at the other end (UNDP, 2009, p. 21).

The oil-based economy spurred ‘rentier mentality’ in the political class amid the de-emphasis on agricultural output. The agricultural sector output declined in 2006-2010 except for slight increases in 2011 and 2013 (see Table 1). The primitive accumulation of the political class thrived amidst the economic crisis of the early 80s and its social fallouts. The poverty head count increased in 1980 from 27.2% to 46.3% in 1985, and there was a slight drop to 42.7% in 1992 (see Table 2).

Table 1
Agricultural Output From 2006 to 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.40</td>
<td>7.20</td>
<td>6.30</td>
<td>5.90</td>
<td>5.60</td>
</tr>
<tr>
<td>Agricultural sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.90</td>
</tr>
<tr>
<td></td>
<td>4.0</td>
<td>4.15</td>
<td></td>
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</tbody>
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The poverty rate in 1980 of 27.2% increased to incredibly high level of 69.0% in 2010. The population in poverty in 1980 of 18.1% increased to 112.47% in 2010. The population in poverty increased in 1985 from 34.73% to 39.07% in 1992 following the introduction of the Structural Adjustment Program, SAP (see Table 2). The SAP policy led to the depreciation of exchange rates, which negatively affected the real wages of workers and the living conditions of the urban poor and rural peasants. The exchange rate of the Naira to Dollar increased in 1986 from N1/$1 to N3.2/$1 (Thomas & Canagarajah, 2002). This article posits that market reforms are mere rhetoric to hide the class objectives of neo-liberal economic policies and the pretense to socially responsive state. The withdrawal of the Nigerian state from social provisioning, the increasing loss of jobs and collapse of industries
Table 2
Poverty Head Count From 1980-2010 Unit to Million

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty rate</th>
<th>Total population estimate</th>
<th>Population in poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>27.2</td>
<td>65.0</td>
<td>18.1</td>
</tr>
<tr>
<td>1985</td>
<td>46.3</td>
<td>75.0</td>
<td>34.73</td>
</tr>
<tr>
<td>1992</td>
<td>42.7</td>
<td>91.5</td>
<td>39.07</td>
</tr>
<tr>
<td>1996</td>
<td>65.6</td>
<td>102.3</td>
<td>67.11</td>
</tr>
<tr>
<td>2004</td>
<td>54.4</td>
<td>126.3</td>
<td>68.70</td>
</tr>
<tr>
<td>2010</td>
<td>69.0</td>
<td>163</td>
<td>112.47</td>
</tr>
</tbody>
</table>


because of liberalization, the controversial sale of publicly owned enterprises to cronies of state officials, increase in poverty rate and population in poverty as shown in Table 2 points at some of the social fallouts of market reforms. The social consequences of market reforms heightened social inequalities as depicted by the falling standard of living of workers and the urban residents as a result of job losses, under employment, casualization, increasing price level, declining real income; increasing rural urban migration as a result of the neglect and under development of the rural sectors; and less affordable social services as a result of the commercialization and privatization of public enterprises.

The social implications of market reforms question the legitimacy of the Nigerian state amid the arrogance of state actors and official theorists of neo-liberal policy on the sanctity of market reforms. The withdrawal of the state from social provisioning and the ascendency of the market creates doubt on the relevance and impacts of the state on the vulnerable social classes. The affected social groups kept distance from the state and its actors. The perception of distanced state and withdrawal from its structures and apparatuses de-legitimates the state. The governing class also denied there are alternatives to neo-liberal policy albeit its shortcomings (Adeyemo & Olu-Adeyemi, 2008, p.128). The decreasing capacity of the Nigerian state to provide social services raises the question on its relevance and purpose. The legitimacy deficit of the Nigerian state heightens with the social fallout of market reforms. The non-state actors such as community-based organizations and rural based organizations provide social services to bridge the deficit occasioned by the withdrawal of the state. The non-state actors are somewhat emerging as alternatives to state structures and attracting allegiance.

Table 3
Statistics of Population Employed and Unemployed

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population figures</td>
<td>140,431,790</td>
<td>144,925,607</td>
<td>149,563,227</td>
<td>154,349,250</td>
<td>159,288,426</td>
<td>164,385,656</td>
</tr>
<tr>
<td>Economically active</td>
<td>78,922,666</td>
<td>81,448,191</td>
<td>84,054,533</td>
<td>86,744,278</td>
<td>89,520,095</td>
<td>92,384,738</td>
</tr>
<tr>
<td>Labour force</td>
<td>57,455,701</td>
<td>59,294,283</td>
<td>61,191,700</td>
<td>63,149,835</td>
<td>65,170,629</td>
<td>67,256,090</td>
</tr>
<tr>
<td>Employed</td>
<td>50,388,650</td>
<td>51,763,909</td>
<td>52,074,137</td>
<td>50,709,317</td>
<td>51,224,115</td>
<td>51,181,884</td>
</tr>
<tr>
<td>Unemployed</td>
<td>7,067,051</td>
<td>7,530,374</td>
<td>9,117,563</td>
<td>12,440,517</td>
<td>13,946,515</td>
<td>16,074,205</td>
</tr>
<tr>
<td>Newly unemployed</td>
<td>463,323</td>
<td>1,587,189</td>
<td>3,322,954</td>
<td>1,505,997</td>
<td>2,127,691</td>
<td></td>
</tr>
</tbody>
</table>


The post SAP adjustment reforms of the Obasanjo civilian administration did not mediate the social fallout of neo-liberal policy. The sizes of the unemployed and newly unemployed increased under the regime of post SAP (see Table 3). In response to the adverse consequences of neo-liberal reforms, the governing class implemented ‘poverty alleviation programs’ to mediate the negative implications of neo-liberal reforms: The Subsidy Reinvestment and Empowerment Program, SUREP; youth Empowerment in Agriculture, YEA; youth Enterprise with Innovation in Nigeria, YouWIN; and Borno Empowerment Scheme, BOYES are responses of the Obasanjo and Jonathan administrations to grow poverty, increasing unemployment and social inequality. The most ambitious poverty alleviation program since 1999 is the National Social Investment Program (N-SIP). N-SIP is the initiative of the Buhari administration meant to reduce poverty and improve livelihoods of vulnerable groups such as the unemployed youths, women and children. Over 1.6 million Nigerians through the four components of N-SIP; N-Power, National Home Grown School Feeding Program, Conditional Cash Transfer, and Government Enterprise and Empowerment Program have prospects of benefitting (see https://www.premiumtimesng.com/.../232756-osinbajo-orders-nigerian-govt-job-porta-...).

This research insists it is rather early to assess the overall impact of the N-SIP; the program has not had significant impact on the worrisome level of youth unemployment in Nigeria. To the National Bureau of
...the combined wealth of Nigeria’s five richest men - $29.9 billion - could end extreme poverty at a national level yet 5 million face hunger. More than 112 million people are living in poverty in Nigeria, yet the country’s richest man would have to spend $1 million a day for 42 years to exhaust his fortune. (Nigeria; Extreme Inequality in Numbers, Oxfam International, May 2017).

The report also points out that what the richest man in Nigeria can earn from his money in a year is sufficient to lift 2 million people from poverty.

The privatization component of neo-liberal reforms has social and economic implications for the working people. The promulgation of Decree No 25 of 1988 by the Babangida administration signalled the implementation of privatization and commercialization as recurring event in the Nigerian economy (Ikechukwu, 2013, p.1). The governing class insisted on the privatization of public enterprises albeit the series of strikes and counter-strikes of organized labour. The Obasanjo administration unbundled the Power Holding Company of Nigeria, PHCN, into about 18 companies for power generation, transmission, distribution; and it privatized about 116 enterprises within seven years (Bureau of Public Enterprises, 2006). The unbundling of PHCN led to the disengagement of workers thereby raising the level of discontent of the working people and increased social inequality as a result of the loss of jobs by hitherto employed workers, declining social living conditions, and decline in the purchasing power of the retrenched workers. The National Union of Electricity Employees, NUEE, raised the fear of retrenchment as fallout of the privatization of the PHCN. The massive job losses occasioned by the liberalization component of neo-liberal reforms elicited robust intellectual and pragmatic responses of organized labour. It organized seminars, workshops, workers education, media campaigns, protests, rallies and strikes to exert pressure on the governing class to rethink the policy of market reforms.

The state officials and the protagonists of privatization expected that the unbundling of PHCN would mediate to rethink the policy of market reforms. The problems of distribution and transmission that characterized the power sector before the privatization exercise continues albeit new owners. In the light of these problems, the Buhari administration plan to resell the troubled companies to new investors. There are fears that the resale will be bogged by the politics that characterized the previous exercise. The character of Nigeria’s political economy and the nature of the political class constitute the bases for the fears.

The implementation of de-subsidization component of neo-liberal reforms resulted in the gradual withdrawal of subsidies and its replacement by the invisible hands of the market as determinants of prices. The Obasanjo administration increased pump price due to de-subsidization to 26 Naira on January 1, 2002 and 40 naira on June 23, 2003. It increased pump price in May 2007 from 40 Naira to 70 Naira. The resultant protests by the organized trade unions and civil society organizations led the Yar’ Adua administration to review the pump price to 65 Naira (Centre for Policy Alternatives, 2011), but the Jonathan administration in January 2012 increased the pump price through the Petroleum Product Pricing Regulatory Agency, PPPRA from 65 Naira to 141 Naira per litre. The masses reasoned that, this neo-liberal de-subsidization policy in pump price merely serves to increase the available “funds to be looted by the political class, impoverish the poor, and further widening the existing gap between the contradicting classes” (Aje & Chidozie, 2016, p.160). Hence the massive protests by the Nigerian Labour Congress (NLC), Trade Union Congress (TUC), National Union of Petroleum and Natural Gas Workers Union (NUPENG), Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and civil society organizations against the perceived anti-people pricing of petroleum products. The protagonists of subsidy removal, however, refer to corrupt practices that characterize the subsidy regime. The economics of popular welfare and the misuse of state resources by state officials’ pigeon hole this argument (Seteolu, 2015, p.570).

This work argues that the country’s oil wealth did not translate into improved social conditions for the mass of people. The oil sector is characterized by corruption and oil theft amid the relentless pursuit of power, patronage, and private economic benefits by the governing class. More so, perversions and abuse of power characterize the fuel subsidy regime. The safety nets created to cushion the social consequences of recurring oil price adjustments became politicized amid the recurring transfer of social cost of the subsidy to the mass of people. This work insists that the transfer of social cost of the subsidy is anti-people, and it ignores the social imperative in the trajectories of development (Ibid., pp.571-572). The recurring fuel price adjustments often reflect on the domestic price level and the living conditions of the urban and rural residents. The prices of transport fares, foodstuffs, housing rent, tuition fees
of pupils et cetera are often adjusted to reflect the prices of petroleum products. The recurring price adjustments raise a question on the raison d’être of the state. The concrete social conditions are foisted by neo-liberal reforms of impoverishes and alienate the weak social groups from state structures and state officials thus raising doubt about the welfare essence of the state. The political class flaunts affluence and riches and it expects the victims of market reforms to make sacrifices. This plea for sacrifice has become a cliché in the Nigerian society to justify economic reforms and suggest the prospects of economic renewal because of adjustments in the economy. The repeated sacrifices of the working people, urban poor, intellectual class, middle class, students, artisans, and peasants have been exploited to sustain exploitation and domination.

CONCLUSION

The work found that the workers, urban residents, and other vulnerable social groups suffer deprivations because of the implementation of market reforms. It relied on data to demonstrate the deteriorations in the economic and social living conditions of workers and other social categories due to the regimes of privatization, de-subsidization, casualization et cetera. Social inequality gaps in Nigeria repudiate the claims of the governing class of the gains of market reforms. The governing class claims the freeing of resources for economic growth due to privatization and de-subsidization policies, the right pricing of exchange rate, the pursuit of balance of payment equilibrium, and the promotion of private sector led economic growth. The Nigerian economy still commits huge resources to the service of external debts at a social cost. The privatization exercise was bogged by the absence of transparency, alleged diversion of proceeds from the sale of public enterprises, the hijack of privatized companies by the cronies of state managers, and the cannibalization of some of the privatized companies by the new owners. The growth of the private sector is hindered by the high interest rate, a high exchange rate, increasing cost of energy, and the policy of liberalization that makes local firms uncompetitive against the Chinese and Western based firms. The abysmally low industrial capacity utilization, low manning level, closure of factories especially in the textile industry points to the de-industrialization outcome of adjustment reforms in Nigeria. The indigenous private sector will not likely thrive in the light of the factors discussed earlier. The Nigerian economy relies on foreign direct investment, to a significant extent, for capital formation; and state policies stultify local capital.

This research exploited the political economy approach to examine the interfaces of the state, market reforms and social inequality. It found that the economic reforms since SAP did not benefit the workers and the poor. Protests and disapproval of market reforms led to palliatives to mediate the social fallout. The measures are, however, inadequate to offset increasing social inequality in Nigeria.

The work found that the market reforms are steeped in western capitalist ideas, which fail to account for the country’s historical specificity. It argues for alternative economic and developmental ideas that address the country’s historical realities and proffer pro-poor, pro-people social policies to deal with social inequalities. It argues for social policies that emphasise human imperatives. This shift will assist to redeem the purpose of the state and restore its legitimacy. Development trajectories must abandon market fetishism and create socially responsive state; the raison d’être of the state will thus be served.

REFERENCES


