A Discourse on Accumulation and the Contradictions of Capitalist Development in Nigeria

# BY:

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# School of Post-Graduate Studies

University of Lagos

Certification

This is to certify that the Thesis

## A Discourse on Accumulation and the Contradictions of Capitalist Development in Nigeria

Submitted to the School of Post-Graduate Studies

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is a record of original research carried out By

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## DEDICATION

**To the memory of my beloved father, Pa. Erastus Ebun-Oluwa Omotayo Odukoya**

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## ABBREVATIONS

|  |  |
| --- | --- |
| ACB | African Continental Bank |
| AP | African Petroleum Plc |
| BPE | Bureau for Public Enterprises |
| CAC | Corporate Affairs Commission |
| CBL | Cross-Border Leasing |
| CBN | Central Bank of Nigeria |
| COSATU | Council for South African Trade Unions |
| COT | Cost on Turnover |
| DPR | Directorate of Petroleum Resources |
| ECN | Electricity Corporation of Nigeria |
| EDW | Expanded Discount Window |
| EFCC | Economic and Financial Crimes Commission |
| ETB | Equatorial Trust Bank |
| ETP | Economic Transition Programme |
| FDI | Foreign Direct Investment |
| FESTAC | Festival of Black Arts and African Civilisation |
| GDP | Gross Domestic Product |

|  |  |
| --- | --- |
| GSM | Global System of Mobile Communication |
| ICPC | Independence Corruption Practices and Related offences  Commission |
| IFEM | Inter-Bank Foreign Exchange Market |
| IJVs | Incorporated Joint Ventures |
| IMF | International Monetary Fund |
| ING | Interim National Government |
| IPP | Independent Power Project |
| ISI | Import Substitution Industrialization |
| KEPCO | Korean Electric Power Company |
| LCBO | Liquor Control Board of Ontario |
| M-TEL | Mobil Telecommunications Limited |
| NACCIMA | Nigerian Association of Chambers of Commerce, Mines and  Industry |
| NADB | Nigerian Agricultural Development Bank |
| NAFCON | National Fertiliser Company |
| NASS | National Assembly |

NBCI Nigerian Bank of Commerce and Industry

NBFIs Non-Banking Financial Institutions

NCP National Council on Privatization

NDA Niger Dam Authority

NDIC Nigerian Deposit Insurance Corporation

NDTV Netlink Digital Television

NEP Nigerian Enterprises Promotion

NEPA National Electric Power Authority

NERC Nigerian Electricity Regulatory Commission NERFUND National Economic Recovery Funds NICON National Insurance Corporation

NIDB Nigerian Industrial Development Bank

NITEL Nigerian Telecommunications Limited

NLC Nigerian Labour Congress

NNDB Nigerian National Development Bank

NNPC Nigerian National Petroleum Company

NPA Nigerian Port Authority

NRC Nigerian Railway Corporation

NSE Nigerian Stock Exchange

NUPENG National Union of Petroleum and Natural Gas Workers PCA Primitive Capital Accumulation

PCP Petty Commodity Production

PDP Peoples Democratic Party

PDTF Petroleum Development Trust Fund

PENGASSAN Petroleum and Natural Gas Senior Staff Association of Nigeria PHCN Power Holding Company of Nigeria

PSRC Power Sector Reform Committee

PTP Political Transition Programme

PWC PricewaterHouseCopper

RSC Rent-Seeking State Capitalism

SAP Structural Adjustment Programme

SFEM Second-Tier Foreign Exchange Market

SOEs State-Owned Enterprises

TAM Turn-Around Maintenance

TCPC Technical Committee on Privatization and Commercialization

TIB Transnational International Bank TRANSCORP Transnational Corporation of Nigeria Plc USA United States of America

WB World Bank

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## ABSTRACT

The study examines and conceptualizes accumulation in the context of Nigeria‟s neo- colonial state. It investigates the nature of accumulation in Nigeria and, the role of the state and social classes in the accumulation process; the implication of the hegemony of foreign capital and transnational accumulation for the development of underdevelopment in Nigeria; the impact of the state-capital model of primitive accumulation on the crisis and contradictions of capitalist underdevelopment in Nigeria. The key issue was to explain why the neo-colonial model of primitive capital accumulation (PAC) did not result in autocentric capitalist development in Nigeria. The study uses the five decades of dependent development in post-colonial Nigeria to explain the failure of development policies in the context of the modernization ideology to engender domestic capitalist development. Furthermore, the study examines the neo- liberal Structural Adjustment Programme (SAP) and privatization programme and how they deepened primitive capital accumulation and the crisis of underdevelopment in Nigeria. An eclectic framework of analysis rooted to the underdevelopment, dependency, World System and Marxist theories was used in the study. This framework was used to examine oil-based accumulation and its impact on the state-capital model.

On the basis of the state-capital model, involving local and foreign accumulating social classes which evince primitive capital accumulation, the study theorizes accumulation in the context of the deepening crisis of a dependent capitalist economy.The study concludes that at the root of the development of underdevelopment in Nigeria is the contradiction of oil-based accumulation and the compradorized and primitive capital

accumulation forms used under the state-capitalist model of accumulation in the context of the Nigerian rentier economy.

## CHAPTER ONE

* 1. **INTRODUCTION**

## Background to the Study

The last two decades in most African countries have witnessed deterioration in economic performance, low industrial output, balance of payment crisis, flow of Foreign Direct Investment (FDI), external debt, and more recently a global financial crisis with devastating effects. Consequently, poverty, drought, unemployment, underemployment, HIV/AIDS pandemic continue to ravage the continent. Scholars writing on Africa have euphemistica**l** y described the continent‟s travails as the “African tragedy” (Leys, 1994), and the “African crisis” (Arrighi, 2002; Ihonvbere, 1989; Onimode, 1987, 2004).

Varied explanations for the African tragedy and crisis have been proffered. While the African condition continues to elicit critical commentaries and debates, most of these commentaries and debates have largely ignored the historical and immanent contradictions that are engendered by the subordination of African states to transnational capital. This subordination has been attributed to the peripheral role of the continent in the international division of labour (Ake, 1981, 1985; Amin, 1972a, 1972b, 1974a, 1974b; Bangura, 1991; Olukoshi, 1991; Onimode, 1982, 1996). As a result, it has been argued that there are serious limitations on the capacity of the state to institutionalize productive accumulation in furtherance of indigenous capitalist development in the African economy in general and Nigeria economy in particular since political independence in the 1960s.

Given the lack of development historica**l** y generated by the logic of “blocked capitalist development”1, post-colonial governments in Africa after independence were concerned with the achievement of capitalist development under the ideological banner of modernization. This received development orthodoxy was couched in the language of development planning and in monetarist academic garb. Capitalist development as exemplified by Western nations as the ideal for Africa. Following this orientation, “the exigencies of political legitimacy imposed „development‟ on any meaningful political agenda” (Mkandawire, 2001:6). To be sure, the new elite that inherited the colonial state attempt to mitigate state fragility and legitimacy crisis through the promise of development. Five decades after independence, development remains a grand delusion with colossal debts and the underdevelopment being the pervasive reality on the continent.

The parlous state of the national economy in most African countries including Nigeria from the 1980s is proof of the failure of the various attempts at institutionalizing capitalist development in Africa through the modernization ideology. As a consequence, with the end of the Cold War between the two blocs of the United States of America (USA) and the Union of Soviet Socialist Republic (USSR), and the ideological victory of the former, debt ridden African economies were forced to swallow the bitter pill of the Structural Adjustment Programme (SAP), under the philosophical hegemony of neo-liberalism championed by the United States of America under the “Post Washington Consensus”.

Neo-liberalism is the newest garb of capitalist neo-imperialism. Neo-liberalism privileges the market over state sovereignty. The components of neo-liberal order are,

trade, financial liberalisation, deregulation and privatisation. Neo-liberals have argued that the failure of state economic management and failure of accumulation are the root causes of the underdevelopment crisis in the Third World. Therefore, for capitalist development to take place, the neo-liberalist opines that the market should occupy the central position as it is a better mechanism for capital accumulation and development.

Neo-liberalism encapsulates the theoretical exigencies of extant capitalist theories that preceded it, combining and conditioning them to the contemporary imperatives and demand of transnational capitalist accumulation. Behind the neo-liberal ideology is the doctrine of laissez-faire capitalism, modernization, monetarism and comparative advantage, all anchored on free trade, growth, efficiency and prosperity (Robinson, W.I. 2002).

Central to neo-liberalism is market fundamentalism. Everything, including development is to be subjected to the dictates of the market. Neo-liberalism thus entails the discipline of the state through yielding its role to the market. Globally, neo-liberalism enforces a re-articulation of Third World states engaged in the Keynesian inspired state capitalism immediately after independences in the 1960s and 1970s back into the liberalized orientated international capitalist system. However, the traditional inequalities in power, position and access inherent in the international capitalist system at the root of the underdevelopment crisis of Third World nations received no attention. This renewed re- articluation opens national economies in these countries to increased capitalist exploitation, thus furthering the objectives of transnational capital accumulation. As Bond (nd: 2) succinctly notes, “Africa‟s deepening integration into the world economy

has typica**l** y generated not wealth but the outflow of wealth”. In this sense, therefore, neo-liberalism is a disguised form of neo-colonialism.

As an hegemonic discourse, neo-liberalism not only adduces the failure of capitalist development in Africa to the inability of the state and the public sector to accumulate capital in the decades when state capitalism held sway, it punishes the state for this alleged failure by its subordination to the market. It thus privileges the private sector as a better mechanism for capital accumulation for capitalist development. It is against this background that trade and financial liberalisation, deregulation and privatisation are held up as the desideratum for capitalist development under the direction of the market. These liberalisation-based policy thrust is the pillar of SAP and globalisation in Africa.

The promise that financial liberalisation would lead to increased financial inflow through Foregin Direct Investment (FDI) as a basis for new capital accumulation is yet to be realised. On the contrary, evidence abounds to show that rather than financial liquidity, the advent of the neo-liberal regime all over Africa has led to the aggravation of financial i**l** iquidity. As Mkandawire (2005:7) notes, “Not only is Africa still severely rationed in financial markets, but during much of the globalisation, there is evidence that Africa is probably a net exporter of capital”.

To the neo-liberals, the private sector in alliance with the comprador and petty bourgeoisie within the domestic economy and foreign capital that undermined capitalist development in the periphery are seen as a better mechanism for capital accumulation and foundation for capitalist development. The private sector rather than being seen as

an integral part of the crisis and contradictions of capitalist development in Africa, through the manipulation of the state for primitive capital accumulation, are projected as independent and productive group capable of engendering indigenous capitalist development in Africa.

Against the failure of SAP in Africa in general and Nigeria in particular, and the disempowering nature of globalisation, the nature of the state, the special character of the hegemonic class, the pattern of capital accumulation and the contradictions of capitalist development assumes a central position for explaining the failure and/ or possibilities of resolving the compradorised capitalist development in Nigeria. The thesis therefore examines some of the major attempts by the dominant class in Nigeria in the decades after independence to engender capitalist development against the background of the oil political economy. The thesis demonstrates that oil accumulation has negated productive accumulation of capital and shows its implications for maldevelopment in Nigeria.

The thesis therefore argues that, the expectation of neo-liberal theorists that capitalist development in Nigeria is achievable through the instrumentality of a new regime of accumulation by the private sector is misplaced if the all-important issue of the nature and character of the state, the unproductive regime of capital accumulation and the associated crisis and contradictions it engenders are not frontally confronted. Since, doing the foregoing would negate the accumulation without productivity by the alliance of the comprador and petty bourgeois classes in Nigeria with transnational capital, the thesis further argues that capitalism cannot develop the Nigerian state.

The private sector-led development, the thesis also contends, generates contradictions that have further resulted in the “development of underdevelopment”, hence producing crisis associated with capital accumulation, the realization problem and development crisis. Despite the neo-liberal orthodoxy, the dominant form of accumulation in Nigeria remains a compradorized and primitive form of accumulation. And since, “Every accumulation becomes a means of new accumulation” (Marx, cited in Sau, 1979:5), the logic of compradorized and primitive accumulation reproduces the crisis and contradictions of capitalist underdevelopment in Nigeria. The thesis demonstrates that oil accumulation has negated productive accumulation of capital and shows its implications for maldevelopment in Nigeria. The thesis concludes that while there has been attempts since independence to instittute capitalist development in Nigeria by the dominant dominant class, these efforts has failed due to the structure of the Nigerian state, the lack of technical capability of accumulating class and the implication of neo- colonial dependency. Hence, any hope for capitalist development in Nigeria is misplaced.

## Statement of the Problem

The study is purely theoretical and conceptual. It seeks to theorise capital accumulation in neo-colonial Nigeria. To do this, the study investigates the nature, character and pattern of capital accumulation in post-independent Nigeria; and more specifically it examines oil-based accumulation, the contradictions that it generates its impact and implication for various social classes. And upon this, it seeks to theorise accumulation in a dependent capitalist system in which the state is central in the accumulation

processes.

As a result, the study is interested in four principal issues. First, it seeks to understand the social institutions, classes and social forces at play in the accumulation processes - military, civilian, technocrats, and private, local and foreign capital. Second, it examines those social institutions, classes and forces in the context of the social formation and the social contradictions they generate and the consequences of such contradictions for capitalist underdevelopment. Third, it investigates the key policies and programmes that fractions of the dominant class have used in creating the context for accumulation and the class alliances that have been entered into, in the process. Fourth, it examines the specific role of a rentier economy, that is an economy that depend on commision from external sources as against surplus value from productive activities within the domestic economy, in accumulation. It seeks to question classical parameters in the understanding of accumulation by raising specific issues relating to the nature of neo-colonial forms of accumulation, and PCA in the context of a rentier economy.

On the whole, the study examines the contemporary forms and manifestations of capitalist underdevelopment in Nigeria. On the basis of the pattern of capital accumulation, involving local and foreign accumulating social classes, it then seeks to theorise accumulation in the context of the deepening crisis of a dependent capitalist economy.

## Objectives of the Study

* + 1. **General Objective**

The general objective of the study is to examine the nature and character of the accumulation process in Nigeria.

## Specific Objectives are to:

* + - 1. Investigate the role of the state in capital accumulation in Nigeria.
      2. Examine the role of social classes in the capitalist underdevelopment in Nigeria.
      3. Theorise the pattern of oil-based accumulation in Nigeria.

## Significance of the Study

The issue of development which is directly related to the quality of life of Nigerians has been a major concern of political leadership and the Nigerian people since colonial times. Various unsuccessful efforts have been made to transform Nigeria developmentally, in the context of the capitalist ideology, especially with the monumental revenue generated from *petro-dollar*. Following the neo-liberal theory that privileges a disciplined state and the *theology of the market* as the engine of development, Nigeria‟s latest orthodoxy for capitalist development are trade and financial liberalisation, deregulation and privatisation.

The first significance of this study is to overcome the conventional orthodoxy in explaining the crisis of accumulation and in understanding capitalist underdevelopment in Nigeria. The study does this through an analysis of specific issues relating to neo- colonial forms of accumulation and PCA in the context of a rentier economy.

The second significance of the study is that it draws attention to the negative consequences of the prevailing state-capital model and the pattern of accumulation for the capitalist underdevelopment of Nigeria.

Finally, by theorising the pattern of oil-based accumulation in Nigeria the study demonstrates that the crisis and contradictions of dependent and rentier capitalism are central to the understanding of underdevelopment.

## Scope of the Study/Delimitation

The study covers the period from 1960 to 2009. The study starts with 1960 when the dominant classes took over control the management of the Nigerian state from the British colonial power. From 1960 the comprador and petty bourgeois classes used the state apparatus to superintend over the Nigerian political economy in order to institutionalize capitalist development in the country. The study terminates in 2009, which marks a decade of democratic government and committed implementation of neo-liberal reform engender towards a instituting a new pattern of accumulation as a basis for capitalist development in Nigeria.

The study covers introduction; literature review; methodology; oil, primitive accumulation and the crisis of maldevelopment in Nigeria; reforms and the contradictions of capitalist development; democracy and accumulation; and conclusion.

## Limitation of the Study

The major limitation of this study has to do with problems associated with bureaucratic bottlenecks in field study, and the fact that some information that would have helped the study is status-barred, that is confidential and protected by the Official Secret Act. In addition to the foregoing are problems of data storage and management in Nigeria. Differences exist in same data obtained from different sources. Differences and

compilation problems were eliminated by double checking from different sources so as to ensure the reliability of data.

## Research Questions

The research questions of this study are as follows:

1. To what extent is the state a context of accumulation in Nigeria? What key state policies and programmes drive the accumulation project in Nigeria?
2. Can we disaggregate, in an analytically distinct form, the social classes that are involved in the accumulation processes in Nigeria? Is there a possibility to theorise about accumulation in Nigeria given the complex and highly dependent nature of the accumulating social classes?
3. What is the specific role of oil-based accumulation in the understanding of the rentier state and the crisis and contradictions of capitalist underdevelopment and maldevelopment in the Nigerian political economy?

## Conceptual Clarifications

* + 1. **State-Capital Model**

The state-capital model entails the balance between the state and capital in the accumulation process at every point in time. There are various relationships and combinations of state-capital model. Each of these combinations reproduces different pattern of accumulation as well as implications for the possibility of capitalist development, or any kind of development for that matter. Forms of the possible state- capital models are: (a) a subordination of capital by the state; (b) subordination of the state by capital; (c) striking precarious balance between the state and capital.

Under the state-capital model, the state is subordinated to capital both from within and without the Nigerian economy. The state-capital model primarily oriented towards PCA

negates autocentric accumulation which is a desideratum for engendering capitalist development in the Nigerian economy.

## Pattern of Accumulation

Accumulation is central to capitalist development. However, not all forms of accumulation are congenial to capitalist development. To have positive implication for capitalist development, classical capitalist accumulation model is essentially productive and entails increase in the total stock of social capital through expanded production. Different possible forms and/or combination of patterns of accumulation are possible within a political economy. Of relevance to us in this study are primitive accumulation, private capital accumulation and capital accumulation.

Primitive capital accumulation is accumulation from non-capitalist sources hence it is accumulation gotten outside the context of the creation of surplus value, thus amounting to unproductive accumulation. Primitive capital accumulation is the transitional stage to capital accumulation. Private capital accumulation could both be with or without surplus value. However, even when private accumulation is due to surplus value it is externalised from the Nigerian political economy from where it is obtained leading to a depletion of the stock of social capital, and to this end it amounts to unproductive accumulation.

Finally, capital accumulation is accumulation derived from labour exploitation, hence based on added value activities in the real capitalist sense of it. Capital accumulation is the basis of capitalist development through the process of *concentration* and *centralisation* of capital in competition for profit amongst capitalists. The monopoly of technology by foreign capital is central to transnational capital accumulation in Third

World countries as well as the basis of capital expropriation from the Third World who requires these resources for development. Different patterns of accumulation may easily coexist within a political economy though one often provides the dominant tendency under mode of production.

The above three forms of accumulation according to Bangura (1992) are possible under three different regimes of production, namely, Transnational Capitalist Production (TCP), Rent-seeking State Capitalism (RSC) and Petty Commodity Production (PCP). The intensification or weakening of any of the three regimes of production, in their organic combination, produces different accumulation patterns.

Using the typology advanced by Bangura (1992), Nigeria could be said to be under a regime of accumulation where there is an intensification of TCP, RSC and PCP. This combination not accounted for by Bangura (1992) not only produces unproductive capitalist accumulation, it is low on welfare, approximates a weak and non-hegemonic state, just as it engenders the non-autonomisation of the state, as well as a quasi- democratic political order. Hence, the crisis and contradictions of capitalist development in Nigeria are inseparable from the complications engendered by the state-capital model produced by the intensification of the contradictions of the TCP, RSC and PCP.

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**CHAPTER TWO**

## LITERATURE REVIEW AND THEORETICAL FRAMEWORK

* + 1. **Introduction**

This chapter examines various notions, conceptualisations and worldviews on capital accumulation in general and, more specifically, on the nature and basis of capital accumulation in the context of capitalist development in Nigeria and the Third World in general. In this regard, questions would be posed and answered concerning the role of the state in capitalist development in the context of both the liberal and radical perspectives.

This is with a view to problematizing how the dynamics of transnational capital determines the prevailing accumulation models in the peripheral countries in contradistinction to what is obtainable in the advanced or autocentric capitalist economies. Of importance in this regard is the role of PCA in the historical trajectory of capitalism and its limitations as a catalyst for capitalist development in the Third World, as well as the role of neo-liberal ideology as a model of neo-colonial development.

Furthermore, our interest is centred on the examination of the implications of neo- liberalism for the role of the state in accumulation and how it has further entrenched the regime of PCA in the Third World. To this end, the critique in this chapter will demonstrate how the desire to further the objectives of transnational accumulation complicates the crisis and contradictions of capitalist development in the Third World by the failure of neo-liberalism to engender a process of accumulation that will serve as foundation for autocentric capitalist development.

Specifically, we shall examine the role of divestiture and privatisation under adjustment regimes as mechanism for accumulation in the Third World, as well as the different perspectives advanced in the understanding of the crisis of capitalist underdevelopment in Africa. In this way, it will be shown that the specific regime of PCA which holds sway in most Third World nations is such that predisposes these countries to

„maldevelopment‟.

## 2.1. 2 Accumulation and Capitalist Development

At the core of the development of the capitalist system is the imperative of capital accumulation. Capital accumulation takes place when and where surplus value is re- invested in furtherance of extended production. The role of accumulation of capital was historically indispensable at the inception of the capitalist system (See, 2004). This informs Frank (1978 cited in Iyayi, 1986:27), position that “the process of capital accumulation is a, if not the, principal motor of modern history”.

Important as capital accumulation is, it is also historically undeniable that not all the capital for capitalist development at its nascent stage comes from the exploitation of labour. PCA also played very significant role in the development and consolidation of the capitalist system at its infancy. It was for this reason that the sixteenth century which witnessed the conquest and pillage of America historically has the pride of place in the development of capitalism.

Accounting for the central place of PCA in the development of capitalism, Beaud (1983), notes that over a period of seventy-nine years: 1521 and 1600, 1800 tonnes of silver and 200 tonnes of gold were ferried from America to Spain. At the root of the

nascent development of capitalism at this historical junction according to Beaud (1983:18) were:

... monarchs greed for greatness and wealth, states battling for supremacy, merchants and bankers encouraged to enrich themselves: these are the forces which inspired trade, conquests, wars, systematized pillage, organized the traffic in slaves, and locked up the vagabonds so as to force them to work.

Hence, rather than the exclusivity of industry, the foundation of capitalism can be traced to the logic of materialism, rapacious exploitation, pillage, unequal terms of trade, forced labour and political domination within and between nations. Marx (1867 cited in Iyayi, 1986:28) underscores these strategies with reference to the infancy of capitalism in England as “... the chief moments of primitive accumulation”. Keynes (cited Iyayi, 1986) similarly notes that rather than thrift, it was on PCA that the development of English capitalism was founded.

Following Marx‟s explication in *Das Kapital,* the conclusion is the relevance of PCA for capitalist development terminates with the pre-historic period of capitalism. However, given the reality of capitalism in its global form Marx argument has been seriously contested. For scholars such as Amin (cited in McMichael, 1997); Iyayi (1986), Luxemburg (2003) and Shivji (2005), PCA has been and remains an essential and indispensable part of capitalist relations of production within and between nations.

According to Shivji (2005: 37):

Nature did not create a group of people with capital on one side and another group with only muscle – power but no capital on the other. Political economists tell us that this great divide of human race, what we call the system of capitalism, is a result of a long historical process. In this historical process, the original capital was acquired through a gruesome process of plunder, expropriation, looting, wars, invasion, slavery, indentured labour and colonialism and imperialism. Political economists called this process of acquiring original capital “primitive accumulation”.

PCA epitomizes the fulcrum of how nascent capitalists appropriated the capital of the many for self. In the process of capital accumulation, “force, fraud, oppression, looting are openly displayed without any attempt at concealment…” (Luxemburg 2003).

As capitalism develops, rather than dispense with PCA which gave the initial impetus to capitalist development other mechanisms for accumulation are added as complements to PCA. The level of development of capitalism, the success or failure of the management of the crisis and contradictions of capitalism, and the degree of hegemony enjoyed by the accumulating classes in every social formation determine the dominant model of accumulation (Iyayi, 1986). The significance of this is underscored by the centrality of capitalist accumulation for capitalist development in Marxist analysis.

As Habib (2003:6), notes, “to the extent that capitalists consume their income there is no accumulation”. Therefore, the absolute consumption of capital negates capital accumulation. For only in the process of the exploitation of labour and the expropriation of surplus value is capital accumulation as a basis for capitalist development possible.

After obtaining the original capital through primitive accumulation, Marx submits that, in order to accumulate capital, the capitalists must extract surplus value through the exploitation of labour. In Marx (2006:157) words:

To accumulate, it is necessary to convert a portion of the surplus -product into capital. But we cannot, except by a miracle, convert into capital anything but such articles as can be employed in the labour-process (i.e., means of production), and means of subsistence.

The relation of Third World countries with international capitalism has not allowed the full development of the capitalist social relations of production. As a consequence, the very conditions that are central to capitalist development in those nations are negated. Standing as a constraint to domestic accumulation as well as the predisposition for PCA

in Third World is imperialist control over domestic accumulation in the interest of transnational capital and the need to accumulate in order to build the material base for the power of the dominant classes in the Third World.

## 2.1. 3 The State and Capitalist Accumulation

At the nascent stage of the development of capitalism in Europe the state played a central role in its historic progress especially in the resolution of the political and economic contradictions which are intricately part of capitalism. Though capitalism is imperialistic by nature, capital accumulation outside national borders is in furtherance of clearly defined national objectives and the development of domestic capitalism. Hence, despite the private nature of transnational accumulation there is always the force of the state behind it in its foray aboard for accumulation.

As a result, conflict between the interests of domestic mercantile bourgeoisie and free trade philosophers were resolved in favour of protectionism. Similarly, all antagonisms between capital and labour were resolved in favour of capital so that greater domestic accumulation by national bourgeoisie was possible. Hence, from its inception, capitalism and capitalists were never true to the avowed logic of competition and free trade.

The role of the bourgeoisie as the catalyst of capitalist development explains the need for state protection against outsiders. Chibber (2004:2) observes that: “The main expectation is that, because they derive their profits from the domestic market, national capitalists have an interest in the expansion of capitalist relations, and in rapid economic growth; hence their status as the linchpin of national development strategies in the

modern era”. As Beaud (1983:42) also argues, “...there is no capitalism without the bourgeoisie which developed within the framework of the nation-state at the same time as the rise of *nations* occurred”.

The lesson for the historical development of capitalism is that capitalist internationalism exemplified by the free trade philosophy was after the domination over domestic accumulation by the bourgeoisie that the bourgeois state‟s power was thrown behind mercantile capital in its imperialist foray for accumulation abroad. As Beaud (1983:42) further observes, “from its formation, capitalism is national and worldwide, private *and* state based, competitive and monopolistic”. Thus, the state justification for its existence and utility for the capitalist class finds practical expression within these contradictory processes as a mechanism and primary instrument of accumulation and the protection of the interest of the propertied class.

Marenin (1987, 1988) however argues that the state‟s continued existence and capacity to perform flows from its attribute of stateness. By implication, the state must go through a process of becoming by acquiring and exhibiting the attribute of stateness through purposive actions of human agency for the state to perform its functions as a mechanism for capital accumulation. What constitute stateness for Marenin are autonomy, unity and ruling capacity of the state.

An autonomous state is one that is a *state of the ruling class, but not overtly for the ruling class*. In this wise, requirement of autonomy demands that the state acts independently without deference by social forces. The state‟s quality of unity as a property of stateness demands that state independence *must* not be exercised in ways that negate the objective interest of the ruling class. Hence, state capacity for class

actions unencumbered by its organisation heterogeneity, defines the attribute of state unity. State‟s ruling capacity finds expression with respect to accumulation in its extractive power which deals with the need for capital accumulation (Marenin, 1987, 1988). Put together, stateness makes the state a platform for conscious, coherent and conspiratorial class actions.

As we shall state presently, part of the crisis and contradictions of capitalist development in Nigeria is the state‟s lack of stateness as reflected in the anaemic condition of the state, first over social forces and domestic economy and, second, against ravaging transnational capital accumulation. The Nigerian state, given the divide and rule tactics that guided colonial autocracy, and the fragmentation of indigenous accumulating class as well as the constituent units has been incapable of autonomous, homogenous and extractive actions.

As a consequence, a major problem of the Nigerian state is that of the crisis of capacity. This deficiency in extractive attribute finds expression in the problems with tax collection, reliance on PAC and foreign technology in the context of oil exploration and industrial production. Given the centrality of the state to capital accumulation a deeper analysis of the different perspectives on the state becomes imperative.

## 2.1.4. The State as an Idea

Unveiling the mask that covers the state has pitted analysts into different epistemological traditions and analytical perspectives. Analyses and discourses on the state can majorly be classified into the liberal and the radical. Both perspectives concede to the indispensability of the state for capitalist development. However, beyond

the consensus on the centrality of the state for capital accumulation, the two schools have different orientations as to the nature, character and the role of the state in economy.

## The Liberal Perspective on the State

Using Hatt and Lister (2006) as the point of departure, the pre-modern and modern idea of the state is associated with 3000 BC in Mesopotamia and Western Europe respectively. To Hatt and Lister (2006), the two major intellectual legacies of Hobbes‟ *Leviathan* to political thought are state autonomy and absolutism. Lowi and Harpham (1997) observe that, “for him [Hobbes], the absolutist state provided the solution to the fundamental problem of modern politics: order. The goal of public policy was to serve the interests of this state and thus the public”. This underscores the extant social contract between the state and the citizens.

The social contract between the state and the citizens, which institutionalizes the state as a guarantor of peaceful and orderly existence forms the cornerstone of the liberal perspective of the state. Hoffman (1988) argues that while Hobbes‟ state was rooted in the need to negate the dangers inherent in the state of nature, Rousseau‟s “General Wi**l** ” is meaningful against the negative consequences of the anarchy of the private will. The foregoing evince the description of the state by Kropotkin, (1970) as a “... power placed above society”.

This idea of a state that superintends over society, also finds justification in Hegelian position that the state stands and balances the particular interests that govern the norms of the civil society, with the general interests that order the activities of public authority.

In the Hegelian conception, the bureaucracy is the institutional mechanism through

which the state entrenches the common interests over the particularistic interests of a few within civil society. Accordingly, rather than being an active collaborator with a particular social class, for Hegel, the state mediates and smoothens the rough edges of class contradictions.

Laski (1961) differs from Hegel over the contention that state‟s power is altruistic. He argues that the state is not simply a mechanism for the promotion of the general good; rather there is self-interestedness to state action. For Laski (1961), the end to which the state seeks to achieve is as dictated by the dominant class in society. Thus Laski (1961: 14) submits that:

The legal order is a mask behind which a dominant economic interest secures the benefits of political authority. The state, as it operates, does not deliberately seek general justice, or general utility, but the interest, in the largest sense, of the dominant class in society.

Marenin‟s (1987, 1988) view is a balance between these tensions in the conceptions of the state in relation to particular and general interests. Marenin (1987:11) notes that:

The state embodies the contradictions of ruling. It is simultaneously an agent of the dominant class yet not controlled by that class. Secondly, „the state is simultaneously both an expression of class exploitation and domination, and something more than a simple expression‟. Thirdly, states are fabric of ordered tension between a variety of competing forms of authority, each with different myths of legitimacy and principles of allegiance‟. Lastly, the state is both within and above society and, as such, serves both the specific interests of the dominant class and the general interests of society.

It should be noted that at the core of these conceptions of the state is the Weberian idea of the state as an instrument of force. Force occupies an important place in the capacity of the state to act as protector of either particularistic or general interests. For Laski (1961), in a neo-Hobbesian context, without the state there would be disorder. It is the pre-eminence of the state over and above all other human associations that allows it to have its way (Laski, 1961). The state‟s monopoly of force which typifies the Weberian

perspective as well as its acclaimed mediating imperative is rooted in a number of liberal theoretical and philosophical assumptions.

First, the state is seen to be above all social forces within its territory, hence the liberal conception of the state as neutral. Seen as neutral, the state is legally accorded the monopoly of force to use in securing the general good. Second, the state‟s perception as the institutional repository of social good gives it the aura of representation as the political manifestation of the General Will derived from its extant mandate from the people rooted in the social contract.

Third, the state is essentially absolutist yet legitimate. As Russell (1946:15) argues, “The power of the state is only limited interna**l** y by the fear of rebellion and externally by the fear of defeat in war. Subject to these restrictions, it is absolute”. Deriving its authority from the social contract, and being the institutional expression of social good, its rule and authority is seen as justified. The authoritarian-based PCA in the Third World in the context of neo-liberal reforms is rooted in this philosophical position.

A fourth premise is that though a political institution, the state is presumed to be above politics and is believed to exhibit a form of rationality as expressed by the bureaucratic orientation of its leading institutions. This contradicts the political orientations of the state. Fifth, the state in the liberal conception requires force to guarantee individual freedom as entrenched in private property, the sanctity of which is one of the important functions of the state. In this connection, force has a heuristic value as state power plays

an essential role within the liberal tradition in the enforcement of contracts and the security of accumulation.

The liberal conception of the state thus privileges the state‟s functional pre-eminence as against the constitutive logic of its existence. In respect to the functional pre-eminence of the state, Kornai (2001) notes that coordination is central to the functioning of all economic systems.The three forms of coordination identifed by Kornai (2001) are bureaucratic, market and associative coordinations. Of these three forms of coordinations, bureaucratic coordination is underscored by state actions and is pre- eminent in the economy, while prices and contractual obligations define market coordination. The final coordination platform, the associative coordination according to Kornai (2001) represents civil society.

For liberals, the state is conceptualised in terms of what it does, as against the long term interests of state action. Against this background, the liberal theorists assigned role for the state is that of organiser of conditions under which individual creativity and capital accumulation in an individualistically - inspired pattern can take place. Private agents, rather than the state are charged with the task of economic organisation by the liberal state theorists in what is termed the minimalist conception of the state.

In this respect, the state, the liberalists argue, should promote and provide conditions for the effective and efficient market coordination in the economy. This finds justification in the argument that the competitive and entrepreneurial spirit of private enterprises will ensure efficiency in resource allocation and ultimately engender capitalist development beneficial to all and sundry in society. However, based on historical and contemporary

economic realities, this trickle down orientation has been adjudged to be an economic fa**l** acy. “Trickle-down economics”, Stiglitz (2008), succinctly notes, “never works”.

The liberal theorists of the state have been critiqued for their erroneous position concerning the original source of capital in capitalist development. A number of scholars have argued that while labour exploitation played historically important role in capitalist development, the seed of capital for the capitalist development of Europe was derived from primitive accumulation from non-capitalist sources (Beaud 1983; Luxemburg, 2003; See, 2004).

The point at issue is that industry is not the sole basis of capitalist development, primitive accumulation played and still plays more than a passing role in capitalist social formations. The liberal conception of the state also fails to grasp the state‟s agency in the advancement of the interest of the dominant classes in society. It is on this account that Hirsch (1978) accuses the liberal theorists of failure to account for the “social character of the state apparatus ...”. To this end, the liberal theory of the state missed out the political dimension of state power by clothing state power in apolitical and ahistorical apparels.

* + 1. **Marxist-Leninist Perspective of the State**

The radical perspective on the state draws its currents principally from the Marxist- Leninist theory. According to Marx and Engels (1976: 82), “The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie”. The question as to the ontology of the state is however articulated vigorously first by Fredrich Engels (1948), *The Orgin of the Family, Private Property and the* State, and Vladimir Lenin (1949), *The State and the Revolution.*

For Engels (1948) the development of the state is a consequence of the crisis and contradictions of capitalist development. Engels argue to the effect that barefaced accumulation and class exploitation which characterised the capitalist order are the progenitors of the state as a public force for the repression of the proletariat from whom surplus value is realised.

Lenin (1949) amplifies this refrain thus: “The state is a product and a manifestation of the *irreconcilability* of class antagonism. The state arises where and when class antagonisms objectively *cannot* be reconciled”. Thus for Lenin (1949), “the existence of the state proves that class antagonisms are irreconcilable”. Consequently, for Engels (1948) and Lenin (1949), the state sacrifices its autonomy for the protection of the interests of the dominant class. The result is that the state protects class rule and also serves as a central agency and instrument for capital accumulation.

Two broad approaches have dominant presence in the Marxist literature namely, the instrumentalist and neo-Marxist/ structuralist approaches.

## Instrumentalist Approach

From the instrumentalist standpoint the state is an instrument of class power. This approach argues that the political state is used by the capitalists to promote and concretise class position as well as protect the interests of the bourgeoisie (Marx & Engels, 1976; Miliband, 1973). The state consequently serves as a mechanism for balancing class consciousness and action for the purpose of protecting the interests of

the dominant class (Miliband, 1972a, 1972b, 1983, 1989, cited in Lowe and Harpham, 1997: 257).

For the instrumentalist Marxists, state power is used for the appropriation of key social resources through the state‟s pre-eminence as a determinant of *who gets what, when, and how of social resources* (Barrow, 1993). The control over state machinery by the dominant classes is seen as factor that further the realization of the interests of the class in control of the state. This is particularly so in the neo-colonial context under which the political control over the state by the indigenous dominant classes lacks supportive economic powers.

The need for class reproduction and survival thus compels the dominant classes to use the state for self-interested accumulation. For Miliband (1969 cited in Lowe & Harpham, 1997:257), “The bourgeoisie effectively channels its class power through state institutions and into public policy by staffing the state apparatus and exerting its influence in the political processes”.

Poulantzas (cited in Lowe & Harpham, 1997), on the contrary argues that it is class relations in society that give fillip to state organisations and functions in spite of the relative autonomy of the state. Therefore, the dominant class in a state do not need to be the staff of state institutions to ensure that their interest is protected. How then does the dominant class ensure that its organic interests are protected by the government administering the state? The possibility of deploying the state for capitalist interest is hinged on the principle of commoditisation and the General Law of Capital Accumulation.

Based on the principle of commoditisation, the Marxist instrumentalist state theorists argue that wealth and capital are resources transformable into power in capitalist society (Barrow, 1993). They further argue that concentration and centralisation of capital in the hands of few capitalists in the endemic struggle for surplus-value and capital accumulation is such that disproportionately gives social power to the few owners of capital as against the majority of the people in capitalist society (Barrow, 1993).

The effect of the principle of commoditisation and the General Law of Accumulation throws up a state in which the power and interests of capitalists are highly reified. Therefore the state for the instrumentalist Marxist approach is one that is captured by and for capitalist interest. However, a categorical imperative for social change according to this orientation is class struggle, based on the law of the struggle of opposites (Cox, Furlong & Page, 1985).

In Nigeria, with wealth and power conferred by PCA on members‟ of the domestic accumulating class, the need for productive accumulation becomes unnecessary. The successful capture of state power precludes any concern for entrepreneurship as a basis of wealth and power (Ake, 1996c). The state is captured by and for capitalist interest.

For social change to take place the instrumentalist Marxist posits that a fundamental reordering and transformation of the mode of production is important. Hence, to understand social change is to analyse and come to terms with the objective laws of motion and the dictates of capitalist mode of production (Cox, Furlong & Page, 1985), as well as the class relations and struggles inherent in the social relations of production.

In the context of the struggle the superior mode of production subdues the weak and becomes the dominant mode of production with the class that champions it becoming the hegemonic class in whose interest the state acts (Cox, Furlong & Page, 1985).

The implication of this is that a particular state-capital model coupled with a specific regime of capital accumulation in the process of engendering social change clashes with an opposing state-capital and accumulation model. The one that is victorious in this contest institutes its specific pattern of accumulation as a basis for organizing a new social order. This condition was captured by Cox, Furlong and Page (1985: 50) thus: “As one mode of production is superseded by another, then the ruling class which own the newly dominant means of production will reshape the state structure to serve its own ends”. Herein is the major problematic of capitalist underdevelopment in the Third World.

The capitalist social relations of production not properly developed, additionally, the dominant social classes are weak and in collaboration with foreign capital. Furthermore, this is complicated by the dominant classes‟ deficit in class consciousness required for collective class action for the advancement or overthrow of the capitalist mode of production. Though the crisis and contradictions of capitalist social relations of production are manifest in Nigeria, the possibilities of these bursting into open class struggle that would engender the overthrow of the capitalist social relations of production are still weak.

Finally, the instrumentalist Marxist postulation is contrary to that of Marenin (1987; 1988) as to the different interests that the state manages. Marenin (1988:217) identifies three interests which the state manages, namely:

... their own interest, the particularistic interests of social groups, and those of the dominant conception of general interest. ...Were states only agents, they would not be states, and were states only managers of the public good, they could not exist. Most generally, then, ruling is an interactive process within the „state‟ (and its agencies) and between the state and its reproducing coalitions and its social formation.

## Structuralist/ Neo-Marxist Approach

The defining character of the capitalist societies according to the Structuralist/Neo- Marxist approach is its inherent and endemic crises and contradictions which conflate with social conflicts. For the Structuralist/Neo-Marxist approach, it is the need for class hegemony and hegemonic stability following from these crises and contradictions that explain the existence of the state. The leading scholar of the Structuralist/Neo-Marxist approach is Antonio Gramsci.

For Gramsci (1971), the state is the institutionalisation of the hegemony of a dominant class in society. For him, state hegemony appropriates the contradictory tendencies of leadership and domination. While the state leads cooperative and supportive social groups referred to as the historic bloc, it dominates and attempts to destroy counter- hegemonic groups; hence the description of the state as “hegemony protected by coercion” (Gramsci, 1971: 263).

To Poulantzas (cited in Barrow, [www.umassed.edu/cfpa/docs/poulantazas.pdf)](http://www.umassed.edu/cfpa/docs/poulantazas.pdf) and

Bridges (1973), the state fulfils a general maintenance function, “by constituting a factor between the levels of a social formation”, that is cultural, political, social,

ideological and economic. The continuity of the capitalist relations of production and all that stands for thus constitutes the primary task of the state.

Pursing the Gramscian position further, Poulantzas (1978) opines that the state also lends itself to the proper organisation of the dominant classes by securing class unity in the face of intra-class contradictions and conflicts which act as threat to the survival of the dominant class. By this action, the state plays a central role in the institutionalisation of dominant hegemony and class exploitation. As Poulantzas (1972:246 cited in Knuttila & Kubik; 2000:115-116) succintingly notes: “The state is precisely *the factor of cohesion of a social formation and the factor of reproduction of the conditions of production of a system”* (emphasis in original).

This function of the state, for Poulantazs (1978), is at the core of the hegemony of the dominant class/ classes, capital accumulation and class reproduction. As a consequence, without the state, the crisis of capitalist accumulation will consume the dominant class in the state and threaten the domination of the capitalists in the social formation, as well as their capacity to champion capitalist development (Gramsci 1971; Jessop 1985, cited in Hay, 2006; Poulantzas 1978). By eroding the context of accumulation within the state, neo-liberalism undermines the capacity of the state as organizer of the dominant classes in the Third World.

## Neo-liberalism, the State and Accumulation

The role of the state as advanced by both the liberal and Marxist theorists has been impacted upon by recent neo-liberal capitalist hegemonic ideology. Neo-liberals argue that the failure of state economic management is the cause of underdevelopment in the

Third World. For this reason, the market is deemed to be the central agency for capitalist development. In this respect, neo-liberalism entails the discipline of the state through yielding its role to the market. According to Kraus (2003:396), “Neoliberal ideology considers that capitalist policies and accumulation strategies should become the dominant ones in society in order to generate growth”.

Globally, neo-liberalism ensured the re-incorporation of Third World states, which hitherto were engaged in state capitalism, back into the international capitalist system. This opens the national economies of Third World nations to capitalist exploitation, thus furthering the objective of transnational capital accumulation (Robinson, W. I. 2002).

In ensuring transnational capital accumulation, Third World nations were made to conform to the enforced Structural Adjustment Programme (SAP) through the regime of more openness, and deeper integration into the global capitalist system which is advanced as panacea for the failure of capitalist development in these nations. In addition, Third World nations were encouraged to export more of their products and participate in international trade.

The export development strategy canvassed under the neo-liberal paradigm for Third World nations has only succeeded in concretizing the underdevelopment of their economies through comparative disadvantage as a consequence of their weak bargaining power in the international trading system. In addition, liberalisation policy, as McMichael (2000: 164-165) argues, “...substitutes reliance on the world market for self-reliance as the organizing principle of development”. And by making a fetish of the market as a basis of capitalist development, neo-liberalism abandoned the extant social

contract between the state and citizens, and privileged corporate profits over social good.

It cannot be over-emphasised that neo-liberalism amounts to a hegemonic project of capital to promote and secure transnational capital accumulation (Slater, 2004). Its claim as promoter of free trade has similarly been found to be misleading on empirical grounds. In business operations, transnational corporations which are the primary vehicle of neo-liberalism negate free trade rather than promote it. Trade restrictions and subsidy by the United States of America against steel imports from Japan and agricultural products from Africa confirm this neo-liberal fallacy of free trade (McMichael, 2000).

Similarly, Dobbin (2003), opines that the reality of business and the orientation of business people are never supportive of competition. Rather, monopolist practices under which more profit is assured are the preference of business. Consequently, with their financial muscles, competitive advantages, technological superiority, organisation presence and dominance, managerial synergies and global capital outreach, transnational corporations constitute a new global oligopolistic business power suffocating smaller businesses and reducing global trade. In this way, transnational corporation engenders increased unequal capital accumulation favourable to transnational capital on a global scale.

At the domestic political sphere, multi-party liberal democracy, or “market-democracy” and good governance are recommended under the neo-liberal order as necessary condiments to achieve capitalist development in the Third World. It has been perceptively argued that the imposition of political conditionality by both the World

Bank and the International Monetary Fund (IMF) on Third World nations engenders the externalisation of accountability and the management of national economy on behalf and in the interest of transnational capital to the negation of the objectives of development of these nations (McMichael, 2000; Scholte 1997). This underscores neo- liberalism as a political project.

Suffice it to note however that the consequences of neo-liberalism are economic, social and political in nature. It is for this reason that the power of neo-liberalist ideology is highly worrisome given that it subjects non-economic structures and processes to the dictates of the market and the forces of transnational capital accumulation. For instance, in many ways SAP exemplifies the hegemony of neo-liberalism through its entrenchment of the market fundamentalism. Despite the attendant ideological hype that accomplished it, SAP only succeeded in complixifying the dilemma of capitalist underdevelopment in the Third World. The reification of the market by neo-liberalism is therefore dysfunctional for the capitalist development in those nations.

As Polanyi (1957: 73) succinctly argues:

To allow the market mechanism to be the sole director of the fate of human beings and their natural environment... would result in the demolition of society...Robbed of the protective power of cultural institutions, human beings would perish from the effects of social exposure; they would die as victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardised, the power to produce food and raw materials destroyed.

When it becomes impossible for the citizens to afford the cost of social services imposed by the market, the state not only fails in its social responsibilities, poverty, diseases, and political crisis spreads. The chain of poverty not only spreads, development is compromised.

Market coordination left exclusively as ordering principle for social organisation unmediated by bureaucratic and associative coordination would bring out the worse in man and engender conflicts with destructive prospect for society. The aggressive project

of disciplining the state under neo-liberalism can therefore not advance the goal of development in the Third World.

While neo-liberalism directs its ammunition at “rolling back the state”, the a**l** -important structural transformation of the state is not given any consideration. Similarly, neither is the implication of the subordination and exploitation of Third World nations by transnational capital addressed as a basis of the resolution of the capitalist underdevelopment of those nations. The solution advanced by neo-liberalism is that for underdeveloped nations to develop a larger dosage of market and monetarist therapy is required. This thinking for Slater (2004:92) constitutes a form of “political economy travesty, political amnesia, a pretension that development and modernisation were never part of the history of the nations for whom neo-liberal structural adjustment is being recommended”

Under neo-liberalism, development has been transformed into globalisation in what Toye (cited in Robinson, W.I., 2002: 1056) aptly described as a “counter-revolution in development theory and policy”. The net effect of this counter-revolution is the displacement of domestic accumulation in favour of transnational accumulation (Robinson, W.I., 2002).

With this reorganized and reordered accumulation protocol under globalisation a new legal and regulatory regime which privilege transnational actors has been engendered in the global economic space. In addition, states are made to restructure and ensure that their economies are further integrated into the global capitalist system in order to facilitate renewed and increased transnational accumulation.

A major outcome of this integration and restructuring of states is the end to protectionism over trade and capital (Robinson, W.I., 2002), and with it, is the complication of capitalist underdevelopment in the Third World. It is on this political economy edifice that maldevelopment is based.

Moore (2004) offers the reason for the congruence of neo-liberalism and maldevelopment in the Third World when he argues that, “neo-liberalism simultaneously accelerates and aggravates the uneven, destructive and creative route towards proletarianisation and private property”. Therefore, neo-liberalism and maldevelopment as a lived experience of Third World are positively correlated being the two sides of the same phenomenon. Neo-liberalism strangulates the potentials for capitalist development in Third World nations. Two major mechanisms of accumulation favoured by neo-liberalism are globalisation and privatisation.

## Globalisation and the State of the State

Globalisation has made the role of the state in capitalist society more confounding in at least two important respects. First, as Jinadu (2008: 206) notes, “...the emergence of the internationalized state and of a “layer of transnational institutional authority above” the state, both of which facilitate the creation of transnational market interests, the movement of transnational capital, and emergence of networks of national and transnational actors”. Second, to the extent that globalisation reduces the extant powers and functions of the state it stands in antithetical position to the capacity of the African state.

Hence, with the state being forced to the back seat in development, the state‟s prerogative in the economic arena is increasingly being yielded to and controlled by the market under the new regime of globalisation. The state is consequently consigned to providing and superintending over conditions that guarantee increased accumulation by dominant forces within and without its territory. Globalisation thus institutes transnational accumulation to the disadvantage of Third World economies. Evidence of this can be seen in the worsening Third World debt profile under globalisation, reflected in the imbalance between the inflow and outflow of capital (Bond, 2007:175).

Globalisation in Africa also seeks to use good governance as a mechanism for combating rent-seeking, corruption and the primitive accumulation. Plausible and desirable as this objective is, it has failed to produce the desire result. As Szeftel (2000) and Lewis (2007) argue, governance reforms and economic liberalisation promoted within the ambit of globalisation by its elimination of traditional structures of accumulation of the African petty bourgeoisie has resulted in a new form of accumulation which complicates the crisis and contradictions of capitalist development. The all-important context of accumulation by social classes within and outside the state in the Third World is ignored with dire consequences.

The failure of the good governance orientation, according to Szeftel (2000:304), is because, “corruption is elevated to the level of an explanation for the whole array of African problems but the role played by internal process of capital accumulation in driving it – is not evaluated”. With accumulation externa**l** y driven, economic nationalism that served as the catalyst for capitalist development in the Africa immediately after independence lost its value. Pitifully, the transformation of

development into globalisation (McMichael, 2000), has made social control, accountability and transparency irrelevant to governance in Africa. This was the very problem that IMF and WB “political conditionality” seeks to achieve without success.

Panitch, (1994) and Collier (1997) argue that the primary function of the state as a guarantor of favourable conditions for capital accumulation is still intact despite globalisation. Similarly, for Saintz (1980:59), despite globalisation “... the state plays an increasing role in capital valorization and capital accumulation”. The intricate relationship between the state and capital goes on to the detriment of domestic capitalist development. Given seemingly contradictions and crisis, how is the complex relationship between the state and transnational capital accumulation achieved and managed?

In answer to this, Collier (1997:46) argues that, “States accommodate and prepare local parts of the economy for the surrender of surplus value within the global economy”. On his part, Nowark [(www.geocities.com/mnsocialist/mandel-state.htlm)](http://www.geocities.com/mnsocialist/mandel-state.htlm) opines that,

“Every state is the organ of a given system of production based upon a predominant property ownership, which invests that state with a specific class bias and content. Every state is the organized political expression, the instrument, of the decisive class in the economy”.

The complex relationship between foreign capital and the domestic petty bourgeoisie in Third World nations continued to be managed by the state. The contradictions between these collaborating but conflictual interests in the post-colonial state are smoothened for ease of mutual, though institutionalised unequal accumulation by the post-colonial state.

## The Post-Colonial State

Quite often in the literature the erroneous impression is created that all states are the same. Empirically, all states despite the commonality of their constitutional properties which give them a juridical expression are not the same in terms of capacity and their primacy in citizen‟s popular consciousness.

In the above context, Jackson (1992:1) is correct when he notes that: “When we speak of “the state” in sub-Saharan Africa, we are creating an i**l** usion”. Jackson‟s (1992) problem with the state in Africa is that they are short in empirical qualities but higher in legal and constitutional properties. However, to be meaningful and relevant the African state is defined empirica**l** y despite being “... far from credible realities” (Jackson, 1992:1).

Regrettably with reference to African post-colonial states Jackson notes, “In sub- Saharan Africa, however, many so-called states lack such essential requirements of empirical statehood. They are ram-shackle regimes whose writ often does not extend throughout the country; where it does, it is observed irregularly”. If states in Africa like their counter-pacts in most of the Third World as Jackson (1992:1) note are “... far from credible realities”, it does mean that orthodox theorization on the state would serve limited benefits in analysing and understanding them. Radical scholarship provides room for specific theorising on the post-colonial state to account and explain its unique sociology and historically determined political economy.

According to Alavi (1972), the post-colonial state in Africa is overdeveloped in terms of its bureaucratic institutionalisation relative to civil society. The social base of the post-

colonial state is deemed to be located outside of its borders in the developed nations. This overdeveloped state extracts surpluses through bureaucratic hegemony in the service of capitalist accumulation in the metropole. By serving as a mechanism for capital accumulation for foreign capital, the post-colonial state paradoxically is a direct mechanism for its own capitalist underdevelopment.

Alavi‟s position is a one-sided testament on the reality and power dynamics in which the post-colonial state in Africa is enmeshed. This is because the post-colonial state in Africa simultaneously exhibits the attributes of power and powerlessness in relations to its social formations and external forces. Even in terms of its relations to social forces under its territory, its power is never total as other centres of power located in the primordial public (Ekeh, 1975), contend and contest its powers. The authority exhibit by the post-colonial state in Africa is limited (Zolberg, 1966: 134, cited in Fatton, Jr., 1986: 62)‟.

Leys debunks the claim of “overdeveloped state” in Africa on the empirical and theoretical grounds that: (i) the relatively small size of the state compared to the Gross Domestic Products (GDP) at independence; (ii) the post-colonial state‟s alienation from the civil society robs it of necessary power and potency, and (iii) the subordination of the domestic classes by foreign capital reduces its hegemony (Leys, 1976).

On their part, Currie and Ray (1984) claim that the post-colonial state is relatively autonomous, mediating between competing interests of the domestic and foreign capital, neither of which is hegemonic and dominant. This argument is flawed on two grounds. First, they ignored the fact that the supposedly relative autonomy of the post- colonial state in the relations between domestic and foreign capital is undermined by the

imperative cooperation and collaboration of accumulation from the African economies a task that one cannot achieve without the other. For while the African pettty comprador bourgeoisie control the political lever over the African state, the monopoly over capital and technological resources gives foreign capital effective control over accumulation from the African economies.

Rather than mediate the relationship between the domestic and foreign capital, the post- colonial state actually manages the relations between domestic and foreign capital for mutual capital accumulation. This makes the post-colonial state in Africa compromised, and as such, an instrument for capitalist underdevelopment in Africa.

Given the historical role of the state as an instrument of capital accumulation on behalf of private capitalist interests (Roberts, 1999), its relative autonomy is negated. Contrariwise, Ninalowo (2004) argues that the success of the state in mediating the particular vested interest is not a given. It is subjected to dynamic factors over which its control is limited.

Theoretically, the post-colonial state in Africa falls below the requirements for autonomous state action. State autonomy of social classes, Nordlinger, Lowi, and Fabbrini (1988) argue, is a function of the inherent power of the state and the state‟s capacity to maximize such power. This is enhanced by the state‟s political legitimacy amongst other factors. For the state to be autonomous it is important that its stateness must be guaranteed (Marenin, 1987, 1988). The post-colonial state in Africa weighs less on the counts of stateness.

The appropriation and privatisation of the state and alienated citizenry are rooted in the logic of the *Two Publics,* (Ekeh, 1975) as well as *Citizen and Subject* (Mamdani, 1996). Both are legacies of colonialism in Africa and are factors that negate statehood in post- colonial Africa. These conditions have negative implications for state capacity in Africa. Hence, rather than the state extracting taxes from the people, the domestic accumulating classes use the state for rent and PCA.

Tangri, (1995), contends that the African state is a gate-keeper for capital accumulation on behalf of different classes. PCA from the post-colonial state by dominant social classes; foreign and domestic, and the development of patron-client relations rob the state in Africa of the power and capacity for capitalist development, as state managers concentrate on consolidation of power and increased flow of PCA (Tangri, 1995) while loyalty to the state is eroded.

For Bratton and Van de Walle (1994:458):

..., the distinctive institutional hallmark of African regimes is neopatrimonialism. In neopatimonial regimes, the chief executive maintains authority through personal patronage, rather than through ideology or law. As with classical neopatrimonial, the right to rule is ascribed to a person rather than an office.

What emegers from the concentration of state power is personal rule with wanton violation of constitutional order and rule of law, negating the institutionalisation of a corporate order. As Bratton and Van de Wa**l** e (1994:458) note, “At best, African efforts to insta**l** corporatist regimes have been a “policy output” of an ambitious political elite rather than a reflection of organized class interests witin domestic society”.

It is however methodologically flawed to allow the reality of neopatrimonial political enterprises blind us of the actuality of class context and class implications of political actions of the African political elite. Seen either as neopatrimonialism or class action, accumulation by the dominant classes in Africa is carried out mostly using the state and its agencies under the pretence of implementing developmental policies.

The use of State-Owned Enterprises (SOEs) has been found to be a device for PCA in the hands of the dominant power coalitions (Bayart, Ellis and Hiboue, 1999; Lewis, 2007). The nature and character of the state is intricately linked to the nature and character of social classes in control of the state, balance of forces in the domestic economy between the dominant classes and foreign capital, and the capital accumulation preference of the dominant social classes. According to Nzongola-Ntalaja (1987: 73) “the social character of a state reflects the nature of its leadership group, its objective interests and values, and its relative strengths and weaknesses in the international class struggle”. Questions then could be raised as to the hegemony of foreign capital in relations to the state in Africa.

## Foreign Capital and the State in Africa:

Foreign capital historically played and continues to play a key role in the African economy. To this end, the dominance of foreign capital in the economy of African state cannot be over-emphasised. However, this acclaimed hegemony of foreign capital in the affairs of African states has been criticised. Sklar (1979) argues that evidence of refusal of domestic bourgeoisie to comply with the dictates of foreign capital abound. While such evidence alluded to by Sklar (1979) abound, such evidence represents and constitutes mere disagreements between the foreign and local accumulators in

dependent states; it does not imply the lack of hegemony of foreign capital, or the existence of domestic hegemony over foreign capital or the national economy.

One of the fallouts of the disagreements referred to above is the development of state capitalism with its concomitant centralisation of power in most post-colonial states as a basis of overtly national capitalist development; the opposite result has been achieved. Covertly, state capitalism is more for the privatisation of state resources for political and economic advantages of the dominant class in the post-colonial state (Lewis, 2007). State capitalism, which begets the establishment of public enterprises all over Africa, is a function of the crisis and contradictions of dependent capitalism and the imperative of capital accumulation. Rather than resolve those crises and contradictions, state capitalism has aggravated them.

As Saintz (1980:59) poignantly states, “the origins and further development of state capitalism can be related to a specific contradiction generated by the peripheral nature of the accumulation process, i.e. the weakness of the national form of the peripheral state”. This is not without implication for state and society.

State capitalism has not only made PCA the preffered mode of accumulation by the dominant class in control of the state, it has also alienated the people from the state in most of Africa. Given that the state is accumulation-centred and empirically wanting, the citizens in response have deployed extra-constitutional mechanisms to extract resources from what they perceived as an alien state institution.

Given the forgoing, Jackson with reference to the Africa condition notes that:

Citizenship means little, and carries few substantial rights or duties compared with membership in a family, clan, religious sect or ethnic community. Often the “government” cannot govern itself, and its officials may in fact be freelancers, charging what amounts to a private fee for

their service. The language of the state may be little more than a facade for the advancement of personal or factional interests by people who are only norminally judges, soldiers, bureaucrats, policemen or members of some other official category (Jackson,1992).

When the citizens cannot trust and rely on the state the result is the withdrawal from it and finding a replacement for providing services that the state hitherto provides for them. Azarya and Chazan (1987) identify some of these disengagement mechanisms as, suffer-manage, escape, parallel systems, and self-enclosure. These mechanisms of disengagement are not only sometimes illegal and indirectly undermine the state and its capability for development. In this context, Ake (1994: 7) note that, “... most people have turned away from the state to seek safety and fulfillment in their community, ethnic group or nation. The demands which they make on these social formations have turned them into informal polities, in competition with the state”.

Ake (1994) and Clapham (1996) submit that what exists in Africa is a pseudo-state, that is, a state lacking in stateness and hegemonic presence to push through their own agenda for domestic capitalist development. This is because African states are not products of social contract likes the western political system, but states engendered from the womb of colonial autocracy (Jega, 2000; Lewis, 1992; Randy, 2007). Jackson (1992) perspectively argues that African states are convoked through juridical proclamations as against empirical organic political essence thus they have negative sovereignty (Jackson, 1986, cited in Jackson, 1992:6).

The fallout of this according to Olaitan (2006) is that the African state is functionally impotent. Similarly, the problems of the agency of the state in Africa has become complicated given its privatisation; a condition that makes state existence in Africa nominal (Ake, 1996a) and the capacity of the Africa state for capitalist development

problematic as a result of historically entrenched structural contradictions.

Ihonvbere (1994) further argues that the utilization of the African state for accumulation as against legitimation and development is a serious drawback on its capacity. Because of its lack of autonomy, the African state he notes is “… unable to plan effectively for development; it is unable to mobilize for self-reliance; it is unable to regulate the activities of profit and hegemony-seeking transnational corporations …” (Ihonvbere, 1994:5). For the foregoing reasons, Ihonvbere (1994) describes the state in Africa as “irrelevant” in the consciousness of the people that it is meant to serve.

The question requiring urgent answer is whether it is possible for a state that has no place in popular consciousness to be a catalyst of capitalist development in Africa? To the extent that human capital is the best guarantee for any form of development this is highly problematic.

Applied to the specific context of Nigeria, Olaitan (1998; 2006) contends that the Nigerian state is a “developmental liability”. This is so because the Nigerian state lacks organisational coherence (Olaitan, 1998). The implication is that the Nigerian state is weak relative to capital and incapable of organizing society as well as the condition for production, exchange and circulation in ways that can engender capitalist development.

This perhaps explains why capital accumulation in Nigeria unlike the developed capitalist states, is not from labour surpluses, but from positions occupied in the state and/ or with those in control of state power (Bayart, 1993). How then do we account for this condition? It has been suggested that the root of the above contradictions of accumulation in Nigeria is in colonial and neo-colonial continuities of the state (Ake, 1985; Ihonvbere, 1989, 1996; Olukoshi, 1991, 1993; Onimode, 1982).

## Is Colonialism the Problem?

While the totality of the blame for the failure of capitalist development in Nigeria cannot be ascribed to colonialism, the long-term and enduring implications of colonialism on the Nigerian state is in its enduring structural imperatives as exemplified by a state-capital model and pattern of accumulation that is unproductive and anti- development. This finds resonance in Sorensen‟s (1993) perceptively position that structure and action are positively correlated. In a similar vein, Nzongola-Ntalaja (1987:84) argues that “development cannot be achieved with the institutional structures that are antithetical to the objectives of development”. There is ample evidence to show the correctness of this position in relations to Nigeria.

Still commenting on structure and development, Lumumba-Kasongo, (2002) opines that given the structural constitutions of African state, state behaviour and orientation are as conditioned by external forces of international capitalism and the logic of transnational accumulation. In terms of behaviour therefore, post-colonial state such as Nigeria‟s according to Nzongola-Ntalaja (1987:85), “... is both a source of wealth and the means of defending it, domestica**l** y as we**l** as internationa**l** y”. This explains the endemic crisis of capitalist development in most Third World nations. In this regard, historically rooted structural analysis is indispensable for the understanding of the crisis of capitalist development in Africa.

Osoba (1993) provides historical analysis of the crisis of accumulation in Nigeria and shows how this promotes democratic deconsolidation. The pattern of capital accumulation that prevailed under colonial imperialism in Nigeria, Osoba (1993) argues, was one that was based on monopolistic and oligopolistic practices by foreign

capital. Decolonization, rather than put an end to the rapacious accumulation of foreign capital promotes a regime of accommodation and partnership between foreign capital and the factions within the indigenous accumulating classes in Nigeria. This is achieved through their participation rather than control in foreign enterprises as well as reliance on foreign technology.

Osoba (1993) and Lewis (2007) note that, beyond its partnership with foreign capital, awards of contracts, sale of licences, inflation of contracts, bribery, and looting of the national treasury are complementary mechanisms of accumulation in the post-colonial era in Nigeria. As a result of the use of the state as vehicle for accumulation the premium on politics becomes high, with politics transform to warfare rather than a platform for service.

The struggle over PCA and control of state power which serves as the instrument for accumulation were at the root of the fall of the First and Second Republics in Nigeria, the civil war, as well as the politics and policies of the Generals Muhammadu Buhari and Ibrahim Babangida‟s government (Osoba, 1993). The use of the state as a direct instrument of PCA, Williams (1980) notes, rendered the state impotent in mediating factional competitions and crises engendered by the crisis of accumulation in Nigeria.

The structural imperative of the political economy of the Nigerian state as conditioned by its integration and subordination to the international capitalist system as a dependent social formation, as well as the disarticulation of the domestic economy, the dominance of foreign capital, coupled with the underdevelopment of productive forces under a weak domestic class all combined to shape a state-capital model and pattern of capital

accumulation based on super-ordination of capital, entrenched PCA and capitalist underdevelopment of the Nigerian state (Beckman, 1981).

To Ninalowo (2004), the class interest in PCA by the various factions of the dominant class in Nigeria, and the subordination of the Nigerian state to international capitalism, continue to reproduce capitalist underdevelopment in Nigeria. Given its lack of autonomy and its pre-eminence as a distributive rather than productive instrument, the logic of political contestation according to Ake (1996c) is to secure and capture the state and its institutions for private accumulation.

Furthermore, there is hardly any symbiotic relationship between national interest and the interest of the dominant forces in control of state power beyond the use of the state for personal accumulation. This informs Ake‟s (1996c:29) lamentation to the effect that “... wealth is tangentia**l** y disassociated from productive capitalist enterprise. This has deprived Nigerian capitalism of its competitive and developmental impetus”. This negative trajectory is reinforced by the incorporation of the private sector into the Nigerian rentier economy making for a weakened the social basis of accumulation (Lewis, 1994).

For Suberu (1998), because the Nigerian state is an institutional mechanism of sectional struggle over national resources there is endemic state-wide conflicts resulting in wastages of quality time and resources necessary for capitalist development. This condition makes the appropriation of national wealth superior to its production in Nigeria. This is at the root of the prebendal state system in Nigeria (Joseph, 1987). As Lewis (1994:440) puts it, “The prebendal state is essentia**l** y a distributive state. The prebendal system survives through the allocation of valued goods to strategic social

forces. The use of the term „distribution‟ here does not imply equitable intentions or outcomes”.

Again, given the reduction of the Nigerian state to this level Watts, (cited in Roberts, 1999) observes that this constitutes serious hindrance to capital accumulation and capitalist development in view of the difficulties of pursuing productive capitalist under this condition. Onyekpe (2004:105) ascribes unproductive capitalism in Nigeria to the fact that, “... the private appropriators of public wealth could not use the accumulated wealth for investment”. How are we to characterize the crisis and contradictions? Put differently, is this crisis and contradictions political or economic or both?

For Lewis (1994), the crisis and contradictions of capitalist development in Nigeria demand a political explanation above anything else. According to Lewis (1994:438), “The leading impediments to Nigerian development are rooted in a mutua**l** y reinforcing pattern of neopatrimonial governance and a rentier economy”. Lewis further argues that the failure of institutional modalities for productive accumulation as well as social basis of accumulation are militating factors against capitalist development in Nigeria, given the implication of these for rendering the state non-autonomous, weak and incapable of capital accumulation (Lewis, 1994).

While the negative implications of neopatrimonial and prebendal politics for accumulation and the capitalist system in Nigeria cannot be denied, however, this cannot meaningfully and fully explain the Nigerian condition. First, Lewis (1994) articulation of neopatrimonial system focuses on ethnic and group-based accumulation without addressing the structural exigencies that privileged unproductive accumulation as a consequence of Nigeria‟s role in the international capitalist system.

Related to the above is the external dimension exemplified by the alliance between domestic and foreign capital in the underdevelopment of the Nigerian state. Other popular explanations of the crisis and contradictions of capitalist underdevelopment of Nigeria nay the Third World economies deserve further attention.

## The Cultural Perversion Thesis

The cultural perversion thesis is advanced by Calderisi (2006) to explain the capitalist underdevelopment in most Third World nations. For Calderisi (2006), Africans are the cause of Africa‟s problems. The failure of foreign aid in the development transformation of Africa, he opines, is based on the perversion of African culture and tradition which has aided corruption and mismanagement on the continent. In place of foreign aid, Calderisi (2006) counsels western nations to devote efforts to the consolidation of democracy and free press.

The pertinent question for Calderisi is whether the „destructive‟ African culture which he claim negates development would not also stand as an obstacle to democracy and free press?

## The Intellectual Poverty Thesis

Exploring the African development problematic, Ayittey, (1998) situates the African crisis in the lack of incentives and the requisite intellectual condition for development. This intellectual poverty he argues is at the root of the authoritarian and despotic rule in many African states. The lack of support and oppression of Africans by their leaders he argues play a major role in the underdevelopment of the continent. For Ayittey (1998):

“It is this inte**l** ectual barbarism, perhaps more than anything else that lies at the heart of the African crisis”.

In a further articulation, the negative predilection of African states which is characterised by “weak currencies; inflation; myriads of state controls; political instability; corruption; rampaging civil wars; capital flight; absence of rule of law, accountability, good governance; and a host of other problems” according to Ayittey (1998:25) are mitigating factors against development on the continent.

Another problem identified by Ayittey (1998) as accounting for the African crisis is the struggle for power which promotes exclusion, personal rule, misrule, and political instability. He advocates that the resilience of peasants should be galvanized for the development of Africa. For development to take place on the continent, Ayittey (1998) opines that, the environmental problems must be removed.

A major shortcoming of Ayittey‟s position on the African debacle is its failure to grasp the dialectic of power and transnational capital accumulation as conditions for the sustenance of political economy of the Third World. The implication of this inadequate contextual orientation manifests in the excessive attention given to internal factors in explaining the African crisis of capitalist development while the forces that shape these internal dynamics are ignored. Ayittey therefore mistakes the effects of the African capitalist underdevelopment for its root causes.

## The Social Capital Thesis

For Woolcook (1998), at the root of the African development crisis is the plaucity of social capital. Arguing that social capital is an important aspect of the development equation having the power to enhance, maintain or destroy physical and human capital, Woolcook (1998) opines that the non-existence of social capital with the capacity to resolve micro and macro social dilemma is responsible for underdevelopment in Africa. As the argument goes, when society enjoys embedded and autonomous social relations at all levels positive outcomes are engendered.

Woolcook (1998) advances four criteria for engendering social change based on the willingness of people to draw on social ties: (i) within their local communities; (ii) between local communities and groups with external and more extensive social connections to civil society; (iii) between civil society and macro-level institutions; and

(iv) within corporate sector institutions. All four dimensions, Woolcook (1998) counsels must be present for optimal development outcomes.

While it would be wrong to deny the existence of the above criteria of social capital in Africa, the literature has shown that the social capital thesis is reductionist. It neglects the international context of state‟s relations in its articulation and explanation of the problems of underdevelopment. Furthermore, outside of the behavioural relations within which social capital is contextualized the social capital thesis has nothing to say on the causes of development and underdevelopment of nations. Important as social capital may be for development it is not in itself the determinant of development as it is being packaged and promoted by its protangonist. A major problem with the social

capital thesis is that scholars and advocates are not even agreed as to what constitutes social capital, just as there are serious differences in its content.

For it to serve as explanation for African underdevelopment, social capital as an explanatory variable requires further development. Its lack of conceptual precision robs social capital of proper social articulation. It cannot be over-emphasised that the array of capitalist relations of production especially as manifested in neo-liberal globalisation negate and continue to erode the historic stock of social capital amongst African people.

## The Good Governance Thesis

Important fallout of neo-liberalism is the focus on political factors or the „crisis of governance‟. Africanist have associated the African development problems with bad governance, authoritarian rule, lack of transparency, politics, rent-seeking and prebendalism in political and economic affairs of the state (Bayart, 1991; Bond n.d, 2004, 2006; Joseph, 1987; van de Walle 2001, 2005). Some have gone as far as classifying African states as “rogue” states (Joseph, 1995). The IMF and World Bank are major proponents of good governance orientation.

A common denominator of these works is the avoidance of relating the problems of capitalist development in Africa to the role the continent play in the international capitalist system and the social consequences it is forced to live with. Good governance as a political paradigm is incomplete without historically situating its other half, that is, bad governance as a result of the structure and historical imperative of decadent neo- colonial capitalist order in the Third World.

Mkandawire (2001), base on this negative perception submits that “the African state has fa**l** en from grace”. In their, studies, van de Wa**l** e (2001, 2005,) and van de Wa**l** e, Ba**l** and Ramachandra (2003) are of the opinion that the African condition can be explained as a product of bad and non-visionary leadership. Also implicated as being responsible for the African tragedy are aid, low capacity, fiscal crisis and corruption.

Africanist scholars ca**l** for “strong and effective governance” as the key to African capitalist development. This flows from the belief that the states in Africa are weak and lack the capacity for performing the functions imposed by the conditions of their statehood. This certainly contradicts Alavi‟s (1972) position on the existence of overdeveloped state in Africa. And given the experience of most African states with authoritarian and despotic governments, weak state system is certainly not a good explanation for the capitalist underdevelopment in Africa.

African states are depicted as platforms for rent-seeking and political corruption. As a result of this, prebendalism (Joseph, 1987) is said to rob the state of its means for capitalist development as the political elite utilised the state‟s scarce capital to build and consolidate political fiefdom. With the ethnicisation of politics on the continent and the client-patron relations erected for elite political survival and factional elite struggles, state-building becomes endemic problem making mobilization for capitalist development problematic.

Van de Walle (2005) doubts the capacity of African political elite to develop the continent, against the background that aid from the North to Africa rather than being used for development is misappropriated and diverted by the elite. Van de Walle (2005) therefore advocate for the use of external change agents if capitalist development in Africa is to be a reality. The implication of van de Wa**l** e‟s (2005) position is that recolonisation of the African continent in a new guise is the solution for capitalist development on the continent! On the contrary, the freedom of African states from the exploitative hold of imperialism in all its raminifications is what is required development of the continent.

Politics is zero-sum in Africa; this is aggravated by the intra-class struggle of dominant class. As Ake (1985:5) perceptively argues:

Power is everything, and those who control the coercive resources use it freely to promote their interests, including the appropriation of surplus. For those who control force, entrepreneurial activity is unnecessary, for those who do not, it is often futile. So we have a singularly unproductive capitalism in which force is the means of accumulation and wealth is disassociated from entrepreneurial activity.

The incarceration of the forces of production by the crisis and contradictions in Africa, it has been argued, leave the forces of production in a rudimentary and backward state and militate against capitalist development on the continent.

We shall consider and critique two contrasting perspectives advanced in the literature viz, the developmental state and privatisation as mechanisms for the resolution of the crisis and contradictions of capitalist development in Africa. The roles of the state as a mechanism of accumulation for capitalist development are addressed differently through these two perspectives. It would be argued that it is impossible for a neo-

colonial state to be a developmental state, hence, like the old ideology of developmentalism, developmental state begs the issue at the core of Africa‟s crisis of development.

## Developmental State and Capitalist Development

Based on the „success‟ of capitalist development in the East Asian countries, the ideology of the developmental state has been continuously canvassed as a solution for the failure of capitalist development in Africa. In this regard, Sandbrook (1997) sees the developmental state as a useful mechanism for capitalist development. However, beyond the problematic of this idea, the suggestion of developmental state is underscored by the now endemic Afro-pessimism and believes that Africa must perpetually be consumers of received ideas even as it concerns how Africans live and organize their lives and society.

A developmental state is often defined as a state that is (i) developmentally focused, (ii) ideologically committed to development, above all else; (iii) have in place capable administrative institutions, a strong and committed bureaucrats imbued sufficiently with Weberian bureaucratic rationality to drive development as conceived by an ruling and hegemonic class; (iv) an autonomous state system; and (v) a creative blend of autonomy and embeddedness (Bagchi, 2000; Beeson n.d; Edigheji, n.d.; Edigheji, 2005; Hirata, 2002; Johnson, 1982; Mkandawire, 2001).

Following from the above, essentially, a developmental state evinces a productive corporate public-private partnership as basis for capital accumulation for capitalist development. Protagonists of the developmental state argue that under this corporatist

partnership, the state through its bureaucracy, acts as the engine house and commanding officer providing the ideological leadership, policy direction and organisational discipline with which capitalist development is to be delivered by the private sector.

What is central to the developmental state according to advocates is the issue of state capacity exemplified by ideological commitment to development and above all monopoly of the means of physical coercion. This informs Amuwo (2008) submission that a state without the capacity to deliver cannot be a developmental state. For Johnson (1999) therefore a public - private synergy and commitment to achieve developmental goals in a mutually beneficial way is fundamental to instituting developmental state. In this regard, discipline and commitment by the state and the private sector to achieving sets developmental objectives are *sine qua non* for the success of a developmental state.

Between the state and capital, ideological consensus coupled with the capacity to organise and accumulate capital by the state and the private sector as flag bearers of capitalist interest are central to a developmental state. In this wise, a business elite with a mercantilist and commercial corporate orientation cannot partner with the state to bring about the “miracle” of developmentalism. There must be a double coincidence of state capacity and productive corporate culture on the part of the private sector in order to engender a developmental state. It is in this context that we identify some problems which make the feasibility of the developmental state in most Third World nations difficult.

First, is the historical specificity of different nations of the Third World. Kang (2002) argues that the political economy of each nation differs in fundamental ways, thus making the issue of universalization and applicability of the developmental state model to all nations highly problematic. To Kang (2002), we cannot fully convoke a developmental state without adequate knowledge of the historic-political context of the state in consideration.

Second, it has been argued that contemporary international political economy is a constraint on the viability of the developmental state paradigm (Beeson, n.d; Kang, 2002). External factors have been found to play prominent role in the developmental states of Japan and South Korea especially in the context of the Cold War rivalry between the United States of American and the Union of Soviet Socialist Republic (Beeson, n.d; Kang, 2002).

America, now the world‟s undisputed hegemon, unlike during the Cold War era has become intolerant of market competition from the East Asian developmental states, despite the global campaign for liberalisation, thus creating a climate unfavourable for the emergence of developmental states (Beeson, n.d). Consequently, it is most unlikely to encourage the emergence of new developmental states in the Third World. Third, the issue of the bureaucracy playing a leading role in policy guardianship (Johnson, 1982) assumed the existence of the requisite capacities and professional competence in all bureaucracies.

That is, (i) the bureaucracy is sufficiently independent, equipped, motivated and trained for the task; (ii) policies are internally decided upon and implemented without political and external intervention; (iii) the state is sufficiently autonomous of domestic and external interests that negate national interest; (iv) national interest is well defined and elite consensus exists on the conception of the national interest; (v) the domestic ruling classes are sufficiently hegemonic to champion capitalist development by transiting from primitive capitalist accumulation to capital accumulation; (vi) the different crisis and contradictions of the domestic bourgeoisie have been resolved or set aside in the greater interest of national capitalist development; and that (vi) there is a domestic bourgeoisie that is capable of transforming from a disadvantaged power balance with foreign capital to a favourable balance of power that privileges domestic capital accumulation such that there is a domestic bourgeoisie that is able to form a development oriented alliance with foreign capital.

Furthermore, corruption and the developmental state have been found to be positively correlated (Johnson, 1999; Kang, 2002). With regard to South Korea, the developmental state was achieved not because there was no corruption but in spite of it. In the Korean situation the production of pubic goods and corruption are the two-sides of the same coin. The production of public goods is a by-product of PCA in the establishment of the Korean developmental state (Kang, 2002). In the case of Nigeria and most other Third World nations, the reverse is the case.

Unlike in South Korea, “where the state exchange subsidy for performance‟ (Amsden, 1989; Kang, 2002), in Nigeria, the *audacity of public looting* is such that the state gets

nothing in return from public subsidy of private capital accumulation. Consequently, billions of Naira got taken out of the public coffers for projects that are never performed, yet the culprits-bureaucrats, politicians, military, the petty bourgeoisie and their hangers-on arrogantly flaunt the ill-gotten wealth.

Fifth, Chibber (2004) criticises the developmentalist enterprise because of internal contradictions and for being an instrument deployed by the state in the interest of PCA. For Chibber, (2004:12), developmentalism privileges, “...the massive transfer of national resources to local capitalists”. Nigeria‟s experience with Import Substitution Industrialisation (ISI), indigenisation policy, the use of development banks as bedrock of industrial development, the Nigerian Industrial Development Bank (NIDB) and the National Economic Recovery Fund (NERFUND), amongst others policies, were evidence of transfer of state resources to private sector for domestic capitalist development without any meaningful results beyond the enrichment of private beneficiaries and the further impoverishment of the citizens.

Sixth, contrary to the popular belief that what drives the developmental state is economic consideration, Kang (2002), demonstrates with the case of South Korea that politics was the motive force behind the South Korean developmental state. To Kang (2002), the idea of state autonomy and bureaucratic rationality in relations to the developmental state is empirically invalid as the South Korean developmental case demonstrates. State and private capital partnership negates the kernel of state autonomy given the class nature and the need to further protect capitalist interest.

Finally, with particular emphasis on Nigeria, Amuwo (2008) adduces a number of reasons that will militate against the possibility of a developmental state, namely: (1) legitimacy/state-building crisis; (2) lack of infrastructure for decision implementation; and (3) underdevelopment of market. To this we add the primacy and accumulative interests of transnational capital in the Nigerian political economy.

Over the years, attempts have been made to redeem the problem of capitalist development in Africa in general, and Nigeria in particular. However, all the attempts failed to confront the structural roots and historically engendered contradictions of capital accumulation of the Nigerian state. We are therefore in agreement with Olukoshi (1993) that the failure and non-resolution of the contradictions of the post-colonial production processes, coupled with the erroneous efforts at resolving the contradictions of dependent capitalism in Nigeria at the level of circulation, as against the level of production, are responsible for the resilience of underdevelopment in Nigeria.

The dominant power of transnational capital operating under the intellectual ferment of neo-liberalism proposed and insisted on the application of privatisation as a benchmark for capitalist development in the Third World. It is to the content and theoretical, contextual and practical implication of privatisation for capital accumulation and capitalist development that we now focus attention.

## Privatisation as a New Regime of Accumulation

Privatisation is one of the several programmes that have been used as a basis of engendering a new cycle of accumulation and capitalist development in Nigeria. The logic of privatisation in Nigeria is to engender a private sector-led accumulation.

Opinions are however sharply divided as to the utility or otherwise of privatisation as a mechanism for capitalist development of the Nigerian economy. Privatisation provides a unique platform for examining the possibility of a private sector-led accumulation as well as its impact on the crisis and contradictions of capitalist development in Nigeria. But, first, what is privatisation?

For some privatisation is the transfer of ownership of SOEs to private business interests (Guseh, 2001). To the Council for South African Trade Unions (COSATU), privatisation is a form of change of the management of SOEs from bureaucrats to private capitalists (COSATU, 2001a). COSATU (2001b) further extends the definition of privatisation to embrace the increased power and wealth of the private sector through the removal of the control over public wealth from the state and the transfer of this hitherto state wealth to private individuals and corporate entities.

For COSATU (2001b), privatisation is market expansion at the cost of the shrinking of the state. This market expansion and shrinking of the state could be in terms of activities or ownership profile (Savas, 1987). Megginson (2000) conceptualises privatisation as “an ideological and symbolic break with a history of state control over a country‟s productive assets.” Scheider and Jager (2001) view privatisation as transformation of property rights regimes and the reduction of public control.

In terms of its utility and functionality, privatisation has largely been controversial. O‟Ma**l** ey (1988) argues that privatisation has brought about lower prices for consumers, high quality services, increased productivity, increased investments in public utilities, and wider share ownership. A close analysis revealed however that O‟Ma**l** ey‟s (1988) analysis is one-sided and ideologically biased.

For Chong and Lopez-de-Slilanes (2005), Latin American nations that implemented the privatisation programme have harvested bountiful rewards. Cases of failure of privatisation in Latin America according to the authors were due to corruption through state interference, poor corporate governance, improper privatisation contracts and regulatory inadequacies. Given the reasons advanced for the failure of privatisation by Chong and Lopez-de-Slilanes (2005), the state‟s role in economic management and capitalist development is central and cannot be wished away.

There are many protagonists of privatisation, but the literature also has many antagonists. Rowthorn and Chang (1993) examine the issue of private ownership under residual claimant and dispersed knowledge and arrive at the conclusion that the two assumptions are inadequate justification for private ownership generally.

Rowthorn and Chang (1993) advise that only where a specific private sector operator has comparative advantage should state cede its power to the private sector. Blanket privatisation they argue is unjustifiable. The argument in favour of private ownership as against public ownership, Rowthorn and Chang (1993), found is not informed by economic logic, but rather by political considerations. The authors submit that where the state is autonomous privatisation is unnecessary (Rowthorn & Chang, 1993).

In another critique of privatisation, Clarke (1993) maintains that the privatisation of SOEs has shown lack of social responsibilities and high scale of commercial inefficiency that were unacceptable from the pre-privatised enterprises. Added to these is a new regime of private monopolistic exploitation of the people. Clarke (1993) therefore calls for the transformation of organisation ethos and increased corporate

governance in the operations of SOEs in order to promote productivity and efficiency of public sector businesses instead of privatisation.

From a different perspective, Wolfe, (1996), takes a swipe on the British privatisation programme. The use of market as a mechanism for policy-making in the United Kingdom under Margaret Thatcher‟s administration Wolfe (1996) argues, violated the democratic power of choice of the electorate. Privatisation, Wolfe (1996) further notes, accorded private interest extended power of accumulation beyond the allowable limits under social democratic governance.

Wolfe (1996) submits that privatisation strengthens the hands of capitalist interest to recapture the state which the regime of social democracy has tilted in favour of the welfare of the citizens rather than the accumulative propensity of corporate capitalist interest. How then do we explain the popular “efficiency mantra” in support of privatisation?

The argument that private ownership makes for efficiency in production has been debunked in a number of works. In a comparative productivity analysis of British Telecom (BT) privatised in 1984 with state-owned telecommunication companies in Norway, Italy and Spain, Foreman-Peck and Manning (1988) found that state-owned Telecommunication Company in Norway was more efficient than the privatised BT. It can therefore be concluded that the search for productive efficiency of firms goes beyond the issue of ownership which is the central concern of privatisation. Similarly, Shirley and Walsh (n.d) dispute claims made for privatisation-based on efficiency, which for them is more theoretical than empirically valid.

To Laxmi (2003) what makes public enterprises fail is not public ownership, but the inhibiting factors associated with governance of which public enterprises are a micro- segment. Yahaya (1993), in a consideration of the Nigerian privatisation programme, submits that modes of ownership have nothing to do with financial or economic profitability. Similarly, Mengisteab (1995) makes a critique of privatisation that negates the efficiency argument. To him, the issue of efficiency between the private and public sector is a relative one.

The above assertion is validated by the annual soaring profitability of the Liquor Control Board of Ontario, (LCBO), Ontario‟s government wholly owned and managed liquor stores. LCBO is acclaimed the largest liquor purchaser in the world, with purchases from more than sixty countries [(www.lcbo.com/careers/index.shtml)](http://www.lcbo.com/careers/index.shtml). The

LCBO made $4.1 billion turnover in the 2007-2008 fiscal year, with a dividend of $1.3 billion paid to government. The dividend was 5.1 per cent increase over the previous year‟s and was the 14th consecutive year of increased dividend paid by the LCBO to the Ontario government (Booze Boom, 2008). The LCBO remain highly profitable despite being a public owned and managed business.

According to the management:

In 1991, the LCBO‟s annual revenue was $1.8 bi**l** ion and the dividend was

$675 million.

In 2009, annual revenue was $4.3 billion and dividend was $1.41 billion. This did not include $405 million in PST, $104 million in GST and $346 million in exercise taxes and import duties. When payments to municipalities were included, the total was $2.5 billion. (As of Aug. 2010, these figures were unaudited.

Our strategic plan for 2005-13 projects at least $7 billion in dividends by the fifth year. ([www.lcbo.comlaboutlcbo/todayslcbo.shtml.)](http://www.lcbo.comlaboutlcbo/todayslcbo.shtml.))

In another study, Altvater (2004) examines the implications of privatisation through Cross-Border Leasing (CBL) by German Local Governments and returned a damning assessment on privatisation. According to Altvater (2004), through the CBL privatisation, private capital enjoys exponential profit at the cost of low tax revenue for the government. Some of the negative effects of privatisation identified by Altvater (2004) are: (i) reduction of the power of the state to intervene in the economy; (ii) the dominance of private interest in state socio-economic and political affairs; (iii), unfavourable impacts on women as well as imbalance in income distribution and social wealth; and finally (iv) the existence of a positive correlation between privatisation and corruption.

Given the strong case against privatisation, especially its implication for the reduction of public wealth, Neutze, (1995) argues that what is required is not the outright sale of public enterprises to private sector operators but the reform and positive transformation of public sector businesses in order to engender production efficiency. As Neutze (1995) points out, not only can the public sector achieve the same level of production efficiency attributed to private sector, but in spite of privatisation, economic wellbeing of the citizens in the post-privatisation period remains the responsibility of the state.

With specific reference to privatisation in the power sector, Hall (1999) remarks that states still play prominent roles in the electricity sector in most advanced nations. Furthermore, the breakdown of activities in the electricity sector, Hall (1999) notes, is rather superficial with little effects on the promotion of competition. This is because generating companies are not only expanding horizontally by buying similar companies

in other countries, but also expanding vertically by muscling-up distribution companies in order to secure certain outlets for the electricity they generate (Hall, 1999).

Hall (1999) discovers from his research that while privatisation of electricity in Britain and the Nordic countries favours only industrial consumers, the cost savings after privatisation in Britain was a consequence of salaries conserved on retrenched workers in the electricity and coal industries. Increased dividends for shareholders in the privatised electricity companies, he notes, was not matched with low electricity tariffs for consumers. Relying on evidence of power cuts from Rio de Janeiro, Auckland (New Zealand) and Buenos Aires, where a 10 day power cut was experienced, “the longest in Argentinean history”. Ha**l** (1999), argues that globally, post-privatisation service delivery has been very awful.

Contrary to the claim that privatisation facilitates the injection of new capital, Hall (1999) discovers that multinational corporations who took over the privatised concerns brought little new capital. This negates the argument by proponents of privatisation that it serves as a basis for attracting badly needed and scarce venture capital into capital- starved Third World nations. It confirms the fears that privatisation will aggravate the dependency of Third World nations on foreign capital.

A study of privatisation in the healthcare sector by Logan (1995), illuminates the social cost of privatisation. Logan (1995) finds that the exclusion of the poor from the consumption of healthcare as a result of privatisation negates healthcare delivery, widens social inequalities and complicates the crisis of political instability in Africa. The author thus submits that privatisation in Africa has become a device for capital

accumulation, the consolidation of power, the alliance of domestic elite and transnational capital.

For Appiah-Kubi (2001), there is a connection between the democratisation process in Africa and the adoption of privatisation programme. Privatisation in the context of democratisation, Appiah-Kubi (2001) argues, is a mechanism for building political legitimacy as an alternative to rent-seeking. Beyond the fact that the democratisation project and privatisation are imposed economic and political agenda of the Washington Consensus, namely, the World Bank and International Monetary Fund (IMF) on African states, the connection between democracy and privatisation in Africa as advanced by Appiah-Kubi (2001) is tenuous, given that rather than eclipse rent-seeking within the state, privatisation has ensured popular disempowerment through the transfer of state wealth to private interest. The study however bears testimony to the fact that privatisation is more of politics than economics.

In a theoretical paper Scholte (1997) comes to a different conclusion about the globalisation and democracy nexus. Scholte (1997:451) argues:

By dissolving sovereign statehood, globalizing capitalism has made ...traditional model of democracy impracticable. Transborder production, markets, monies and business associations readily evade most democratic controls that might be attempted through the state. Moreover, no mechanisms have been devised thus far to guarantee transparency, open debate and accountability in relationships between states and their supraterritorial constituents. Meanwhile, both the widespread inward application of armed violence by governments and the pervasive freezes on, if not real cuts in, public social expenditures suggest that contemporary states are having severe difficulties in meeting the demands of significant proportions of their territorial constituents.

Many scholars have argued that privatisation and corruption are positively correlated. In Nigeria, for instance, the central role played by corruption as a mechanism for PCA before the introduction of privatisation has been further reinforced through

privatisation. As Vickers and Yarrow (1991) state, the privatisation programme is a

victim of the rent-seeking predisposition of the state, its bureaucracy and the political class in control of the instrumentality of the state. In this regard, Mkandawire (1994) gives the examples of crony privatisation in Cote d‟Ivoire under Felix Houphouet- Boigny and privatisation under Moussa Traore in Mali to illustrate the corruption associated with privatisation.

Tangri and Mwenda, (2001), similarly establish a correlation between privatisation, corruption and unproductive capitalism in Uganda. The scholars reported cases of deliberate under-valuation of assets and lack of transparency in the sale of Uganda Grain Milling Corporation (UGMC), Entebbe Handling Services Ltd (ENHAS), and Uganda Commercial Bank (UCB), which were bought directly or through proxy by Caleb International owned by the brother to President Yoweri Museveni.

## Privatisation in Nigeria

Utomi‟s (2000) discussion of privatisation in Nigeria places so much hope on Nigeria as a Big Emerging Market as a consequence of privatisation and as a mechanism for capital accumulation. He cites the changed economic fortunes of Argentina in the 1990s and the remarkable economic transformation of the Asian Tiger to buttress his position.

Utomi (2000) recommends privatisation to Nigeria on the simplistic grounds that privatisation has become popular globally. According to Utomi, failure to join the privatisation bandwagon may lead to Nigeria being isolated in the international arena. The capacity of the Nigerian private sector to lead the drive of Nigeria becoming a „Big Emerging Market‟ is assumed by Utomi rather than demonstrated. Utomi‟s position is that the Nigerian privatisation has failed on its promises as a consequence of the crisis

and contradictions as a result of poor implementation of the privatisation programme (Field Interview, 2008, 15th July).

For Chigbue, (2005), the public sector enterprises in Nigeria have betrayed the reasons for their establishment by their low returns on investments and high level of corruption. Other charges against public sector enterprises in Nigeria canvassed by Chigbue (2005) are that these enterprises prevented the granting of debt-relief to Nigeria and made macroeconomic management problematic.

Chigbue (2005), like Utomi (2000) argues that Nigeria decided on privatisation so that the country is not left behind in the global reform movement. The pertinent question to ask is whether Nigeria should privatise simply because it has become fashionable globally or because privatisation is a veritable solution to the crisis and contradictions of capitalist development in Nigeria?

Ekundayo (1996) did a comparative analysis of pre- and post-privatisation analysis of the performance of Wema Bank based on capital adequacy, asset composition, profitability, loan rate, loan quality, revenue generation and cost control. He concludes that Wema Bank Plc post-privatisation performance on all the criteria is far better than the pre-privatisation performance.

A critical review of the study by Ekundayo (1996) however reveals serious analytical deficiencies: (i) the facts behind his figures were not revealed; (ii) he failed to state whether there was increase or decrease in cost of funds, wages and salaries of the labour forces, quality of employees‟ welfare, corporate social responsibilities; (**i** i) the role of the human factor as against privatisation qua privatisation in the Wema Bank example

are also ignored; (iv) recently, banks that are privately owned such as Oceanic Bank Plc, Intercontinental Bank Plc, Afribank Plc, Finbank Plc, Union Bank Plc, have to be rescued by the CBN.

In his study, Jerome (2003), measures the efficiency gain as a result of deregulation in the Nigerian Telecommunication sector. He argues that commercialisation brought about increased revenue by as much as 400 percent in 1994, barely two years after the introduction of the programme. Furthermore, NITEL lines and trunks also increased as a result of expansion and modernisation engendered by commercialisation. The increased revenue of NITEL however was attributable to increased price as against increased efficiency, just as consumers‟ satisfaction was less than desirable given its non-improvement in spite of NITEL‟s commercialisation.

Jerome (2003) fails to inform us of the pre-reform profits of NITEL and how private sector actors like Pentascope and later TransCorp, were ushered in with negative implication on NITEL‟s viability. Though NITEL had a number of problems which required urgent and drastic solution, the privatisation of NITEL has left the organisation worse off: such that NITEL is no longer making profit. As a measure of the failure of the NITEL privatisation, in which TransCorp, a Nigerian company floated by cronies of former President Olusegun Obasanjo were the core investors, the government under (then) President Umaru Yar‟A dua revoked the sale of NITEL to Transnational Corporation Plc (TransCorp) given the failure of the corporation to change the fortune of NITEL and the series of corrupt activities that permeate the organisation due to its privatisation.

Most of the privatised enterprises in Nigeria such as the First Bank, Union Bank, United Bank for Africa, Agip, Mobil, National Oil, African Petroleum (AP) and NICON, according to Peter (2004) were commercially viable. Yahaya (1993) lists the Nigerian Industrial Development Bank (NIDB), Nigerian Flour Mills, Roads Nigeria, Northern Breweries amongst other profitable SOEs privatised as opportunities for accumulation by members of the dominant coalitions in control of the state.

In the case of the national carrier, the Nigerian Airways liquidated and replaced with Virgin Nigeria, a public-private partnership, Nigeria was paying more than it was making from the airline‟s operation of the franchise with Virgin Atlantic. Nigeria recently dumped Virgin Atlantic to partner with Ethiopian Airline; a successfully runned African state-owned airline.

Owasanoye and Yagba (1996) examines the framework of the legal regime that guides the Nigerian privatisation programme and concludes that there exist discrepancies between legal requirements of ownership and the control of privatised enterprises. The authors find that the dispersal of shareholdings in privatised enterprises empirically invalidated the legal position that control of privatised enterprises must be a function of the ownership structure.

Privatisation, Owasanoye and Yagba (1996) conclude, is a myopic solution to a fundamental economic problem. Rather than outright privatisation of SOEs they canvass the development of positive synergy between the private and public sectors through a deliberate policy of enhancing and promoting the efficiency of both public and private sectors mediation mechanism. Owasanoye and Yagba (1996), are however not mindful of the essential fact that privatisation violates the constitutional provision

which enjoins that the control of the “commanding heights” of the Nigerian economy by the state.

Ariyo and Jerome (2000), aver that privatisation is a mechanism for reducing public sector dominance of the Nigerian economy, especially given the negative returns on investments in these loss-making enterprises. They criticised the 1988 Privatisation Decree for failure to address fiscal, institutional and management reforms as well as its failure to analyse the implications of the privatisation exercise on social welfare, especially in relations to the poor in the society.

The authors identify deep-seated ethnic and regional differences as militating factors against the success of privatisation in Nigeria. In this context, they made reference to the resistance to the purchase of public enterprises by non-indigenes in certain parts of Nigeria. Other problems identified by Ariyo and Jerome (2000) as confronting the Nigerian privatisation programme are lack of transparency, absence of an acceptable regulatory framework, lack of a social safety net, and improper valuation of the assets of privatised enterprises.

Babawale (2006), analyses the privatisation of the National Electric Power Authority (NEPA), now known as the Power Holding Company of Nigeria (PHCN). Based on the unreliable nature of the Nigerian private sector he warns of the danger of leaving such an essential social service like electricity in private hands. To this end, Babawale (2006) calls for the enhancement of state efficiency and corporatisation of SOEs in place of privatisation. Babawale‟s fear is shared by Yahaya (1993) who opines that certain kinds of functions are best performed by the state.

In a review of the privatisation of public utilities in Nigeria, Alayande (1999) finds that there is: (i) No correlation between the value of sales and the number of transactions;

1. the employment position in the country has not improved but rather has shown a worsened condition during the period after privatisation; (iii) the fiscal contribution of privatisation proceeds is also insignificant representing only one percent in government revenue; (iv) at the macro level most of the privatised firms have not done very well both in terms of earnings and profit ratios; and (v) increased shareholders.

What we can deduce from Alayande (1999) findings is that the impact of privatisation on the Nigerian economy and people is negative. From our review it can be seen that privatisation goes beyond the mere sale of SOEs to private interest. The sale of SOEs radically reconfigures the institutional modality of the state and the balance of class forces, and concretises capital to strengthen its capacity for capital accumulation. As Wilson (1988: 24), rightly notes, “there is also the reality that privatisation affects material interests and shifts power among local government officials, businessmen and multinational corporations.”

The retreat of the state as a consequence of privatisation provides a fertile space for private exploitation of social resources thus making privatisation a mechanism for PCA by other means. It is evident that privatisation could effectively be transformed into a clever scheme through which the state indirectly hands over the means of production to that class in whose interest the state exists and for whom state dominance benefits.

Experience around the globe has shown increased power and autonomy over strategic and investment decisions by corporations to the disadvantage of states as a consequence of privatisation. Expectedly, with privatised cortporations, power over scarce resources

is snatched from states in consonance and furtherance of clearly defined organic corporate interests of capital, both domestic and foreign. This is in spite of the often divergence and contradictory objectives of foreign capital with those of the developmental goals of African states (Yusuf, Nabeshima & Perkins, 2006).

McMichael (2000), cautions on the struggle by powerful nations and corporate hegemons to capture and dominate resources globally. The import of this is that the imperialist dimension of capitalist accumulation has become more reified, especially with the institutionalisation of the regime of globalisation. Given the profit orientation of foreign capital, what is defined as important strategic and investment decisions for the privatised enterprises, mostly controlled by foreign capital, are those factors that promote underdevelopment in Third World nations. In addition, what makes for corporate profitability often does not always make for domestic capitalist development, especially when such profits leave the Third World nations depriving them of the positive multiplier effects.

Though, the drive for profitability and development are not mutually exclusive the mix requires care and strategic efforts, analysis and coordination. The premium, primacy and bias for profitability considerations by foreign capital, especially in terms of investment decisions and technology deployment have been found to compound the underdevelopment crisis in the Third World (Onimode, 1985).

Specifically, in the case of technology, it cannot be over-emphasised that the nature and types of technology used by foreign capital is a consequence of class calculations, ideology and the desire for the maximisation of capital accumulation. As Mamdani

(1976:13), perceptively states: “Neither technology nor technocracy are neutral. Both serve those who are in power. Ideology informs technology, while technology is one way of implementing ideology”. The concentration of foreign capital investments in the mining and extractive industries in Africa, for instance, demonstrates this concern. In Ghana, foreign capital is concentrated in Gold and Diamond mining, just as the interest of foreign multinational capital in Nigerian is in the enclave1 oil industry where super profit is assured.

With respect to the FDI which entered Nigeria in 2006, fifty five percent went into the oil and gas sector of the Nigerian economy (Leigh, 2008). This mega-billion Dollars sector made marginal contribution to domestic capitalist development and caused fundamental structural distortions which continue to create serious development challenges in these economies. At the root of this condition is the power of the market as opposed to the powerlessness of the state in Africa. These contradictions also have serious implication for capital externalisation and the possibility of capital accumulation and ultimately for capitalist underdevelopment in these economies.

There are a number of important lacunae noticeable in the literature reviewed. First, there was no conscious effort to analyse the interface of the state and capital as a basis for a theoretical understanding of the logic of accumulation and capitalist underdevelopment in Nigeria. Second, adequate attention to the alliance and dependence of majority of the domestic /private sector accumulating class on the state for self-reproduction was lacking in the literature.

* 1. The enclave nature of the oil industry flows from its heavy dependency of technology and the exclusion of the those that are not skillfull in oil exploration asn well as most sectors of the national economy.

Similarly, the process of engendering a new regime of accumulation through divestiture, deregulation and privatisation was not interrogated and captured as a basis of understanding the continued capitalist underdevelopment in Nigeria.

Third, the negative implication of oil, financial and banking sectors for the low capacity of the accumulating class to champion capitalist development in Nigeria did not receive the deserved attention. Another fundamental gap in the literature is the failure to understand that the social context and ideological root of maldevelopment in Nigeria is a function of the accumulating alliance between the dominant factions of the Nigerian dominant class, key state actors and transnational capital. It is therefore this theoretical and empirical lacunae in the literature that the present study seeks to fill.

## Theoretical Framework:

The theoretical platform on which this study is based is the Marxist political economy approach. Marxist political economy is a radical departure from the classical political economy. Even from its classical origin the political economy approach is theoretical, scientific, empirical, and overtly concerns with the imperatives of social development.

## Classical Political Economy:

Some of the founding fathers and leading exponents of classical political economy are Adams Smith, David Ricardo, David Hume and John Stuart Mills. The classical political economy according to Mill (1909:) is concerned with the investigation of:

... the nature of wealth, and the laws of its production and distribution : including, directly or indirectly or remotely, the operation of all the causes by which the condition of mankind, or of any society of human beings, in respect of this universal object of human desire, is made prosperous or the reverse.

These central concerns of the classical political economy are well encapsulated by the title of Adams Smith seminal work, *The Wealth of Nations*. In this work, Adams Smith provides the roadmap for understanding why some nations are more prosperous than others. Private interests he argues is the motive force for the economic development. However, the impression created of the capitalist system as rational system that work without the intervention of human agency has been proved to be unfounded empirically with the state intervention and regulation during the most recent global capitalist crisis of 2008.

Applied in its political context, classical liberalism is a doctrine of limited power in terms of rights and functions of the state in opposition to the market. Bobbio (1993) captures political liberalism thus:

Liberalism refers us to limits both in the power and in the function of the state. In respect of the limits of power one speaks currently of the *rights-based,* while the term *minimal state* is used in reference to the limit on function. Even though liberalism conceives of the State as both lawful and minimal, one can have *rightbased,* non-minimalist states (as with the social state today), and also minimalist states which are not rights-based (as in the case of Hobbes‟s Leviathan, in the economic sphere: a state which is at one and at the same time absolute in the fullest sense of the term, and liberal in its economics (Bobbio, 1993: 11, cited in Gómez, 2008:25).

In this context, the classical political economist sought to analyse, understand and isolate factors inherent in the social and political structures of society that negates the growth dynamics of national economies. As Momoh and Hundeyin (1999:39) argue: “In the main, classical political economy was more concerned with how best to engage in the production, distribution, exchange and consumption of goods and services; and the role of government and the market in growth and development”.

At the core of classical political economy is individual freedom and free market. This informs the free enterprise orientation under which private individuals rather than the

state are preferred engine of growth. Under this minimalist state economic involvement, the state‟s task is to provide condition conducive for private accumulation of capital.

In addition, the premium given to the sphere of exchange as represented by the market in classical political economy is higher than what was accorded to production. Even in its recognition of the sphere of production, no due recognition was accorded the centrality of labour as the most creative and value producing factor of production. The Marxist political economy approach redeemed this lacuna. As Momoh and Hundeyin (1999:39) correctly note, “The bifurcation of the spheres of production and market is at the heart of the disagreement between bourgeois economists and Marxist economists”.

## Marxist Political Economy:

The Marxist political economy flows from the rigorous scientific analysis pioneered by Karl Marx and Fredrick Engels. This theoretical tradition rode on the shoulders and inadequacies of the classical political economy. Contrary to the analysis of classical political economists, Marxist political economy subjects every condition to serious contextual and scientific interrogation with the objective of discovering the origin and the laws which order development. The Marxist political economy approach is multi- disciplinary.

Marxist political economy is concerned with the mode of production, the social relations of production and the power contest within a particular social context. Furthermore, the laws and logic governing the production, distribution and exchange and consumption of material wealth, that is, the factors that inform production and reproduction of development and underdevelopment are interrogated and revealed.

For Marx and Marxism, power and class struggle play important roles in the development and underdevelopment of a country. In this wise, the social relations of production as well as the mode of production associated with it, and the balance of class forces within a state enjoy primacy over the market as a determinant of the possibility of development. For this reason, primacy must always be accorded to the mode of production and accumulation in the understanding of development.

In the Marxist political economy approach what is essential is ownership and non- ownership of the means of production and the type of relationships people enter into in the process of production and reproduction of their material existence. Therefore, the exploitative relationship under the capitalist production relations between classes in society which also serve as the basis of imperialism and transnational exploitation is a major concern for the understanding of development and underdevelopment within and between nations when the Marxist political economy approach is applied.

This issue of domination and exploitation is taken as central to the possibility of development and transforming the capitalist mode of production (Aina, 1986:4). Of critical importance from the point of view of Marxist political economy, is the relative power and control over the means of production and resources by different classes and nations. This is related to the development and underdevelopment between classes and nations as a function of their relative power for accumulation which either privileges their capital empowerment or disempowerment.

The Marxist political economy is powered by dialectical and historical materialism. While dialectical materialism reveals the contradictions and antagonisms generated in the capitalist production relations, historical materialism allows for the charting of the transformation of society from one stage to the other (Momoh & Hundeyin, 1999:44). This entails the discovery of the natural laws that orders social development, understanding of the operative relations of production and the economic structure that informs social development.

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## CHAPTER THREE

* 1. **METHODOLOGY**

The methodology of this thesis is anchored on the Marxist historical materialism. This is a method of analysis which is both historical and dialectical. According to Burns (1979:11), “... Marxism approaches the study of history in order to trace the natural laws which run through all human history and for this purpose it looks not at individuals but at peoples”. Consequently, with the Marxist methodology we can explain how capital is accumulated, the contradictions it generates and how this is associated with the way Nigerian people reproduce their material existence and the struggles associated with production and reproduction.

Our method enables us to pay scientific attention to concepts thrown up in the process of the research, appreciate historical and theoretical concerns, and establish organic linkages between key concepts, structures and levels of analyses in the study (Fine & Saad-Filho, 2004). This helps in the explanation of complex and concrete social realities in the study.

There is analytical and methodological linkage between our theoretical framework and research methodology as the Marxist political economy approach is simultaneously a theory and a methodology. With the Marxist methodology we are able to explain capital accumulation in a neo-colony, the character and nature of the mode of production in Nigeria, the state, the class structure, hegemony and struggles that are waged as a result of the contradictory pattern of capital accumulation. And not the least, how the dependent capitalist mode of production constitute fetters to capitalist development in Nigeria.

## Framework of Analysis

This research is essentially theoretical in nature; hence this section seeks to provide the explanatory framework for understanding the problematic of accumulation and the crisis and contradictions of capitalist development in Nigeria. Our framework of analysis, in line with Martinussen (1997), meets the minimum requirements of a good social science theory by incorporating the following:

1. Clear statement of the ontology and epistemology of the adopted framework. This entails making clear “the conception of reality, of the nature of society, and how this reality can be analyzed and comprehended”.
2. Clarity about the “normative premises and political priorities…”.
3. Synchronization of concepts and theoretical propositions with basic assumptions in a logical and consistent pattern.
4. Define statement of the scope of application of the framework (Martinussen, 1997:346).

In this section, we set the stage for answering the following questions: what is the nature of accumulation in Nigeria? How does the state-capital model aid our understanding of accumulation in neo-colonial Nigeria? What are the factors making for the capitalist underdevelopment in Nigeria? What is the role of the state and the dominant social classes in engendering capitalist development in Nigeria? Specifically, what is the role of the state and transnational capital in accumulation in Nigeria? As Neo-liberal ideology and policies engendered a new and productive round of accumulation for capitalist development in Nigeria?

We shall now examine competing frameworks of analyses from which we adopted the ones applied for the study.

## Explaning Development

Theoretically and empirically, development is clothed in the garment of ambiguity. This makes development an elusive concept (Robinson, S. 1972). What constitutes development and the manifold ways in which development can be achieved are in dispute, especially when measured against and compared with its theoretical premise and empirical experience of failure in the Third World.

The divergence between development theories and practice can be explained by the fact that development is deeply embedded in the global class struggles and the drive for capital accumulation championed by transnational business and imperialist forces. For Leys (1996), development has been subordinated to the volcanic power of capital.

The failure of development, or the lack of development in Africa and most of the Third World has to do with the nature of developmental agenda foisted on these nations by their history and political circumstances in the context of international capitalism. The exploitative implications of this externally influenced development achieved the opposite of its rich promises by its negation of the objectives of capitalist development. It is for this monumental failure of the development enterprise in the Third World that some scholars argue that its time to have a requiem for development (Sachs, 1992).

The internationalisation of capitalist development paradigm is often associated with President Harry Truman “New Deal” policy made on 20th January, 1949. Truman‟s New Deal declaration proposed to see other nations, especially, those of the Third

World replicating the modernisation processes of the advanced industrial societies under thew hegemony of America. In a triumphant messanic manner President Harry Truman declared the global hegemony of America thus:

The United States is pre-eminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens [(http://www.school-for-](http://www.school-for-champions.com/speeches/truman_inaugural.htm) [champions.com/speeches/truman\_inaugural.htm](http://www.school-for-champions.com/speeches/truman_inaugural.htm)

Development, either in terms of the introduction of western civilisation or/and science and technological advancement was conceived and used as justification and legitimation of imperialism in the Third World (McMichael, 2000). It was conceived and contextualised first as capitalist development, and second, as a project of economic control of colonial subjects and advance the objectives of western capital accumulation through continued exploitation of colonial and ex-colonial territories (McMichael, 2000).

Conceptualised thus, the superiority of western civilisation and development model was taken for granted. It became a privilege even to be colonised and subordinated by the “superior civilization” transmitting capitalist developmental imperatives to the Third World. Thus for McMichael (2000), development is tantamount to an imperialist project of self-justification in the pursuit of capital accumulation.

As a cultural project, capitalist development is imperialistic in character. Imperialist capital in the process of incorporating states in the Third World into the international capitalist system extended to them “modern social engineering” (McMichael, 2000: 3) in the name of development. Capitalist development despite differences in historical and economic circumstances became a commodity for the post-colonial states of the Third World.

The people of the Third World were left with no choice as to the content and context of the development. Development was simply good, and capitalist development as exemplified by modernisation theory is the only possibility. This limited conception of development has engendered underdevelopment in the Third World. As Esteva (1992:6) notes, “Today, for two-thirds of the peoples of the world, underdevelopment is a threat that has already been carried out; a life experience of subordination and of being led astray, of discrimination and subjugation”. Good a thing, critical scholarship from which our framework is derived has developed and challenged this enslaving and disempowering developmental orthodoxy.

## Explaining the Framework

The framework of analysis for the study is eclectic. It draws on the Dependency, Underdevelopment and the World Systems theories, though our primary orientation takes root in the Marxist-Leninist theory. This framework helps us to problematise the mechanism for understanding the capitalist mode of production as well as capital accumulation between nations in the international capitalist system as well as within the peripheral social formation striving to achieve capitalist development.

As Balu (1977:41) notes:

It is however clear that the main feature of the capitalist mode of production from the st andpoint of reproduction [capitalist development] is the conversion of surplus value into capital, that is, expanded reproduction of *the accumulation of capital*. Marx‟s analysis emphasizes that use values must never be looked upon as the aim of the capitalist. Capital, by virtue of its very nature as self-expansion of value, strives to expand ceaselessly. To discover the economic laws of motion of the capitalist mode of production, therefore, one must analyze the process of capitalist accumulation.

The framework of analysis serves to understand international expansion of the capitalist system of production and transnational capital accumulation in Nigeria. Second, the framework provides a platform for analysis and understanding of how the crisis and contradictions of peripheral capitalism on the one hand prevents the generation of surplus value for development, and on the other hand, constrains the conversion of surplus value when it is created at all into capital and expanded production for capitalist development in Nigeria.

Finally, this framework provides an understanding of how the systemic promotion of primitive accumulation which is the direct result of dependent and peripheral conditions of the state negates the development of domestic and autocentric capitalist development.

## Underdevelopment, Dependency, World System and Marxist-Leninist Theories

Amongst the foremost contributors to the Underdevelopment theory are, Santos, (1969), Rodney, (1972) and Roxborough, (1979). Scholars associated with Dependency include, Baran, (1959, 1968); Ake, (1981); Onimode, (1982), with influential theorists in the World System tradition are, Wallerstein, (1974, 1975); Frank, (1967, 1969a, 1969b, 1969c, 1972, 1975a, 1975b); and Amin, (1972a, 1972b, 1974a, 1979b). Both the

Underdevelopment and World System theories are variants of the dependency theory.

The Dependency, Underdevelopment and World System theories stand on the shoulder of the modernisation theory in the context of its failed promise of industrialisation in Latin America.

Rather than a mere endorsement of the totality of Marxist postulations, dependency, for instance, is critical about orthodox Marxist theory, with particular reference to Marxist theory of imperialism. Contrary to the classical Marxist preoccupation with the origin of imperialism, dependency theorists addresses the effects of imperialism on the economies of Third World nations, in particular, and provide explanations for the arrested development in those countries. The unequal and exploitative trade relationships between the industrial North and the backward South played a major role in the development of the dependency theory (Martinussen, 1997).

In coming to terms with the structural imperatives of imperialism, that is, its internal and external dimensions, dependency theorists, according to Lee (1983), deals with the analysis of the operation of imperialism. This imposes the challenge of internal analysis of the strategems of imperialism within the domestic economy, while correspondingly confronting imperialism nationally (Lee, 1983). This position flows from the fact that for the dependency theorists, imperialist exploitation of Third World nations stand in a first order position in the analysis of their backwardness, the solution of which demands both patriotic and nationalistic efforts.

Dependency is a condition whereby the forces and agencies that drive the development of a state lie outside its border. According to Toyo (2002:6), “By dependence we mean the dependence of the country‟s economy on the desires and activities of transnational

as well as its dependence on an international division of labour and world exchange system which is neo-colonial”.

Dependency thus evinces the externalisation of management, control and ownership of a domestic economy. This promotes the disarticulation of the domestic economy (Amin, 1974a, 1974b; Toyo, 2002). In this wise, dependency promotes capital accumulation for external development and as a result negates accountability, transparency, democracy and development in the economies of the dependent nations. The structural disability of the internal production relations in dependent economies also limits the potential for domestic capital accumulation and development (Amin, 1974a, 1974b).

Santos (1970, cited in Roxborough, 1979) distinguishes between dependency as a relationship and as a set of structures. Dependency as a relationship for Santos entails, “… situation in which a certain group of countries have their economies conditioned by the development and expansion of another economy, to which their own is subjected”. On the other hand, the structural dimension of dependency is when, “dependency conditions a certain internal structure which redefines it as a function of structural possibilities of the distinct national economies” (Santos, 1970, cited in Roxborough, 1979).

Four types of dependencies are found in the literature: (i) direct economic dependence;

(ii) trade dependence; (iii) financial dependence; and (iv)Technical dependence or the importation of foreign technology (Szentes cited in Gana, 1986). To these Toyo (2002) adds dependency at the levels of managerial control, production, price determination and services.

Fundamental to any rigorous analysis of development and underdevelopment in the Third World nations, according to the dependency theorists, is knowledge of the historical position and the role which a country occupies and plays, respectively in the international capitalist system (Frank, 1989; Santos, 1969). African integration into the global capitalist system, the role the continent is compelled to play in the global economy and its exploitation within the same context rob it of self-development momentum that characterised the advanced capitalist societies (Amin, 1974a, 1974b).

The thrust of the argument of the dependency theorists is that development and underdevelopment in the metropolitan and satellite countries are inversely related. While the surplus generated in the economies of the developed nations remain therein and applied for the development within the domestic economies, those generated in the underdeveloped nations where they are needed the most for development are appropriated and expropriated from these nations to the developed nations.

Baran‟s assertion that the nature of accumulation in the Third World is not limited to surplus value, but encompasses wages, rent, profit and interests, is important for our framework of analysis. Like the class factions in control of the Nigerian political economy, the class forces in control of the backward economies, according to Baran (1957, cited in Martinussen, 1997), are not interested in the capitalist development of those countries.

To the dependency and underdevelopment theorists, the accumulation taking place in the backward economies is not meant for the development of those economies (Amin,

1972a, 1972b, 1974a, 1979b; Baran, 1959, 1968; Frank, 1967, 1969a, 1969b, 1969c,

1972, 1975a, 1975b, 1989; Santo, 1969).

The dis-interestedness in development is because industrialisation does not advance the interests of the social classes in control of these backward economies. For this reason, the social classes, domestic and foreign, within the economies of the backward nations are not interested in the capitalist development in these peripheral economies. Consequently, dependent economies like Nigeria as Williams (1980) notes, bears the burden of capitalism without enjoying its productive and transformational benefits valorised by the classical political economists.

The World System, Wallerstein (1974; 1975) argues, is capitalist in nature and has a global reach in the form of a world economy. Two qualities of the world economy identified by Wallerstein (1974; 1975) are hierarchy and hegemonic core. The hierarchical structures of the world economy according to Wallerstein (1974) are the core, semi-periphery, periphery and external. These hierarchical structures of the global economy have different implication for the possibilities and capabilities of the nations in accumulation and capitalist development.

The different centres of the world system have properties and characters that determine the possibilities and capabilities for accumulation and capitalist development. For instance, the core nations by the reason of their technological power have political and economic advantages over the other centres of the world system. These advantages of the core nations, Wallerstein (1974, 1975) argues, privileges unequal exchanges between the core and the periphery and consequently capital accumulation from the periphery to the

centre. The possibility of these exchange relations, Wallerstein (1974) notes, was a product of the structural integration of the different centres of the world economy and the specialisation and division of labour which this structural imperative engenders. Added to this is the dependence of the peripheral nations on the economies of the core nation for survival (Wallerstein, 1974).

Consequently, there is a capitalist world system characterised by external and internal division of labour. It is this unequal power relations between the core and the periphery social formations that facilitate the transfer of capital from the periphery to the core, as well as the development of the former as against the underdevelopment of the latter. The implication of Wa**l** erstein‟s World System Theory according to Martinussen (1997:97) is two folds. First, “…development prospects [of peripheral nations] depended more on the nature of the global system than on their internal structures”. Second, “the development prospects are further determined by the individual country‟s position in the international economic and political system” (Martinussen, 1997:97).

## Dependency, Underdevelopment and World System Theories: A Critique

A number of informed critiques of the Dependency theory have been advanced by several scholars, (Chicote, 1981; Edelstein, 1981; Henfrey, 1981; Howe, 1981; Olukoshi, 1991). Both the Dependency and World System theories have been criticised for falling short of a theory of development. Rather than provide a theoretical platform for capitalist development, the two sets of theories are largely explanations for why capitalist development has not occurred in most of the nations of the Third World.

Second, even within the radical school the theories have been critiqued for failure to seriously analyse classes and class struggles. Another critique of these theories is the failure to properly conceptualise what amounted to dependency given the circular and tautological conceptualization offered by the theorists.

Finally, given the historical and contemporary integration of Third World nations into the international capitalist system, the military power and ideological dominance of the core nations that secure their continued capital accumulation from the peripheral nations as well as the alliance of the domestic ruling classes with foreign capital, the call by the dependency theorists on Third World nations to delink from the international capitalist system in order to develop is rather unrealistic.

Be that as it may, while the call for de-linking by Dependency theorists appears unrealistic, the call by for a central role for the state, that is, the need for a developmental, activist and interventionist state under the control of the popular masses in the Third World cannot be overemphasised. This is against the fact that international capitalism‟s mutation as globalisation is oriented to making the state both weak and willing tool of imperial capital.

## Marxist Theory of Capitalist Development

Marx theory of capitalist development stands on of Hegelian philosophy and classical political economy theory of value. First, in place of Hegelian idealism, Marx substitutes dialectical materialism and historical materialism. According to Onimode (1985: 26) in this context, “… Marxist political economy discloses the essence of material production

as a social phenomenon and developed an understanding of the economic laws and historical processes in the development of the capitalist system”.

The unity of dialectical materialism and historical materialism as a method is central to Marxist analysis of capitalist societies. Onimode (1985:35) in a restatement of the Marxist position notes that, “The production of the material means of existence in society and, therefore, the level of economic development, determines the extent of development of the rest of society, and the course of human history”.

Human condition and society‟s development therefore cannot be understood outside of the analysis and understanding of the logic of the mode of production and the social relations of production. It is for this reason that Marx rejects the classical political economists‟ theory of value and embraced the labour theory of value as a basis of dissecting the capitalist mode of production and social relations of production, generally.

At the core of Marx‟s labour theory of value are the generation of surplus value and the theory of capital accumulation with its imperialist implications. According to Onimode (1985:67), the labour theory of value does not only explain the system of exchange relations, but it goes to expose and explain the social relations of production and class divisions. Marx‟s labour theory of value is the foundation of a proper understanding of the capitalist social relations of production and ultimately the development and underdevelopment within and between nations in the international capitalist system.

## Marx Labour Theory of Value

As Rupert (2003: 183) perceptively argues:

Capitalist social relations generate the possibility of asymmetrical social powers distributed according to class. Socially necessary means of production are constituted as private property, exclusively owned by one class of people. The other class, whose exclusion from ownership of social means of production is integral to the latter‟s constitution as private property, are then compelled to sell that which they do own – labour-power, that is, their capacity for productive activity – in order to gain access to those means of production and hence – through the wage – their own means of survival.

Engels (1947) calls attention to the historical importance of the means of production. According to Engels (1947:182), “The mode of production and exchange in a definite historical society, and the historical conditions which have given birth to this society, determine the mode of distribution of its products”. The deduction from the foregoing is that the determinant of development and the possibilities of social change in any society is a function of the dominant mode of production and exchange. Relevant in this regard are the pattern of distribution of social production and the crisis and contradictions this generates between and within classes.

Engels establishes a nexus between social inequality and class struggle. For Engels (1947), class differences not only emerge, inequality in the distribution of production output similarly engenders protest. It is within this context of the mode of distribution of production output and class relations; especially between the capitalists and the labourers that Marx labour theory of value is rooted and has its analytical utility for the understanding of the workings of the capitalist relations of production and the possibilities for capitalist development.

Marx puts his theory in historical perspective by first tracing how commodity production takes place, that is, the exchange nexus of commodity as against

consumption. As Marx notes, production though social is carried out by isolated mass of labourers who are alienated from their products making the social division of labour central to commodity production.

More importantly, Labour according to Marx, enables the capitalist to transform money into capital, given the power of labour as a transformative agency and the only creative part of the production process. For Nikitin (1983:73), “In order for money to be transformed into capital, the capitalist must find on the market a commodity that creates more value when it is consumed than it possesses in itself. This commodity is labour power”.

Capitalist commodity production to Marx (1954) differs from simple commodity production in that labour power is commoditised. Under this condition, the capitalist is not himself the producer, but an employer of labour which is exploited through a wage below the value of his product. For Marx (1954), central to capitalist production is continued production of surplus value and consequently the exploitation of labour by capital.

Marx claims that surplus value and capital accumulation are consequences of the unique transformation in the capitalist social relations of production through: (i) the socialisation of production; (ii) the commoditisation of labour; (iii) the appropriation of the products of labour from the labour process by the capitalist and, (iv) the exploitation of the labourer through differential payment between the sale value of the product of labour and wages paid to labour for the production of the products. Surplus value is therefore what the capitalist seeks to maximise and is the determinant of capitalist development.

Marx (1954) argues that “The rate of surplus value is therefore an exact expression of the degree of exploitation of labour-power by capital, or of the labourer by the capitalist”. There is a cumulative tendency of surplus value to increase with increased production. Capital accumulation is under the control of the capitalists, and capitalist competition is centred on the increasing concentration and centralisation of accumulation. A major mechanism for the intense exploitation of labour in the production process by the capitalist beyond the lengthening of labour time and further exploitation of labour for the production of absolute surplus value is technology.

The introduction of technology into the production process ultimately increases the output of labour by the substitution of the part of labour involved in production with machine. In other words, the organic composition of labour in production decreases in favour of capital, though labour productive efficiency increases. The fallout of this is the increased impoverishment and proletariatisation of labour, over production and under consumption as well as intra-capitalist competition for increased capital accumulation. The crisis and contradictions of the capitalist system are paradoxically inherent in the very logic of capitalist development.

As Nikitin (1983) notes, in the struggle for accumulation: “the anarchy of production is intensified by competition, the fierce struggle between private producers for more profitable conditions of production and for higher profits. *Competition and anarchy of production* are a law of commodity production based on private property”. This is because concentration and centralisation of capital is basic to accumulation.

The concentration of capital entails “… the increase in size of individual capitals, as a result of accumulation…” (Balu, 1977: 45). On the other hand, the centralisation of capital evinces Social Darwinism whereby one capitalist in the process of competition liquidates the other (Sau, 1979). Balu (1977:45), opines that under the centralisation of capital, “what takes place ... is a redistribution of an existing amount of social capital among fewer individual capitalists”.

Consequently, the capital enlargement of some individual capitalists in the context of centralisation of capital is due not to accumulation but a result of the strong capitalists consolidating as his/her own, share of the capital of rival capitalists that are weaker and forced to go under. This for Onimode (1985), entails the horizontal and vertical rationalisation of capital already in existence. It is the desire for increased accumulation of capital in the advanced capitalist social formation - which is negated by the crisis and contradictions of accumulation - that engenders a reduction in the quantum of capital accumulation.

Marx (1965, cited in Balu, 1977:49) with regards to imperialist relations between the advanced capitalist nations and the Third World notes that capitalism, “... establishes ... accumulation of wealth at one pole is, therefore at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole, that is, on the side of the class that produces its own product in the form of capital”.

Lenin‟s (1983) theory of imperialism is centred on how the crisis and contradictions of the capitalist system of production negates the often flaunted competitive nature of capitalism. Beyond this, the domestic intensity of capitalism, Lenin argues, is complemented with the internationalisation of capital as a mechanism for increased

capitalist accumulation. Additionally, capitalist internationalisation is imperialism which Lenin (1983) notes is the totality of the crisis and contradictions of the capitalist relations of production represented by exploitation, concentration and centralisation of capital in the process of capital accumulation.

To Lenin, in the imperialist phase of capitalism, “the general framework of forma**l** y recognized free competition remains, and the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more burdensome and intolerable” (1983:25). The reasons for the aggravated problems under imperialism can be situated in Lenin‟s (1983) characterisation of imperialism as follows:

(1). The concentration of production and capital has developed to stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this „financial capital‟, of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world amongst the biggest capitalist power is completed.

These five characteristics of imperialism are mechanisms for increased concentration, centralisation and accumulation of capital beyond national boundaries. Imperialism thus evinces accumulation beyond boundaries. The kernel of Lenin‟s theory of imperialism and its relevance for our framework is the internationalisation of capitalist production and exploitation across national boundaries such that capital is accumulated by imperialism, from Third World nations under the yoke of colonialism and neo- colonialism. This privileges serious consideration of external factors in the analysis and

understanding of the crisis and contradictions of capitalist development in nations such as Nigeria.

The external dimension of exploitation and its implications for capitalist underdevelopment complements the internal dimension. Thus, both external and internal dimensions, Luxemburg (2003) argues, are critical to capital accumulation. Hence, the exploitation of labour in capitalist countries must be complemented with the exploitation of people in other nations before capital accumulation can effectively take place. As Luxemburg (cited in Bond, nd: 7) notes, “Capital cannot accumulate without aid of non- capitalist organisation, nor … can it tolerate their continued existence side-by-side with itself. Only the continuous and progressive disintegration of non-capitalist organisations makes accumulation possible”.

The alliance between imperial capital and domestic bourgeoisie in the Third World serves imperialism in facilitating transnational accumulation and transfers to the developed nations. In addition, technological dominance, unequal terms of trade, political arm-twisting, ideological manipulation and other unwholesome strategies are used by imperialism for accelerated accumulation from the underdeveloped nations of Africa, the Caribbean and Latin America. This centralisation of capital through imperialist devices also entails the concentration of political power and control over social and economic resources in the domestic classes in alliance with transnational capital.

With capital concentrated in the hands of a few, these people deploys their economic power to annex political power with which increased capital accumulation is achieved by this privileged social stratum. In this regard, Third World states are in essence instrument of transnational capital accumulation in their domestic economy.

Consequently, these states are too weak in relation to imperialist capital, thus not positioned to resolve the crisis and contradictions of capitalist development in their nations as a basis of engendering capitalist development.

Flowing from the above, it cannot be over-emphasised that the single and all-embracing global capitalist system that is the result of imperialism is one that forecloses the possibility of an autonomous capitalist development in the Third World (Onimode, 1982). This becomes more germane in the Third World nations when an often neglected aspect of Lenin‟s theory of imperialism, which deals with the tendency of imperialism to promote corruption, decay, rentier capitalism, and the militarisation of economy and society, is taken into account. In all, imperialism prevents the ability of domestic classes in Third World nations to accumulate capital as a basis for capitalist development.

The prevailing neo-liberal approach has been prescribed for addressing the development crisis of Africa. Part of this approach is privatisation which is a policy seen as having the potential of counteracting the underdevelopment of states and societies in Africa and other Third World nations. Neo-liberalism suffers theoretical liabilities. This is because it ignores the relationship between capitalism and development in the Third World, is mediated by a number of factors, internal and external, which constrain the possibilities of capitalist development.

Some of the mediating factors are, the nature and character of the state; the role the state plays in the international capitalist system; the class composition, character and struggles waged within the state; the capacity of the ruling coalition to centralise, concentrate, and accumulate capital; the hegemonic power of transnational class to expropriate and accumulate capital from national state through global networks and

institutions, and, not the least, the nature, dimension and potency of resistance to the hegemony of the ruling coalitions and the capital accumulation drive of transnational capital. All these are structured and conditioned by of capitalist imperialism on the political economy of states in the Third World.

## Capitalism and Crisis

For Marx (2006: 157), “capitalist production… produces not only commodities, not only surplus-values, but it also produces and reproduces the capitalist relation”. The reproduction of development in the North and underdevelopment in the South are but organic outcomes of the logic of global capitalism. Furthermore, this process of production and reproduction of capitalist production relations engender fundamental contradictions between social production and private appropriation. Organically, the capitalist social relation of production is emersed in fundamental crisis.

Bangura (1991) identifies three fundamental crises at the core of the capitalist system, both at the centre and at the periphery of the global capitalist system. First, is the “contradictions between social production and consumption” (Bangura, 1991: 52). This contradiction evinces the determination of the volume of production, and the consequences of over production and underproduction on accumulation. This crisis is rooted in the fact that production is not based on need and consumption, but on the exchange and profit.

To Bangura (1991), the impact of these contradictions is felt at two levels:

1. The determination of the quantum of social surplus that should be reinvested in production. Expanded production and capital accumulation are impossible where the

bulk of surplus in an economy is in the control of the non-productive sector of the economy, such as the trading sector.

1. The problem of realisation, that is, imbalance between production and exchange. This happens when poor sales at the level of exchange limit or reduce the surplus value that is realisable from the exploitation of labour in the production process. This constrains future production with negative multiplier effect on wages, size of the labour force, production inputs, and overall accumulation for capitalist development (Bangura, 1991).

The second crisis has to do with how increasing capitalist expansion and technological innovation lead to fall in rate of profit. With more capital input as against labour input in every product, capital input increases cost of input as well as causes a reduction in the available labour from which surplus value can be made leading to reduction in profit (Bangura, 1991). Since, capital accumulation is possible mainly from surplus value from the exploitation of labour the capitalist faces dwindling profit, thus constraining capital accumulation.

The third point advanced by Bangura (1991) centres on “... the contradiction between national and international accumulation which become more pronounced in the period of international capital”. This is germane under the globalisation regime and the continued unequal relations in the international capitalist political economy especially against the present and continued hegemony of transnational capitalist class.

In the context of the adumbrated framework, a number of questions are germane. First, are the Nigerian dominant classes in a position to embark on capitalist development? Second, are Nigerian indigenous capitalists capable of capital accumulation as is the case

with the development of dependent capitalism in East Asia? In other words, are the Nigerian dominant and accumulating classes capable of transformation from commercial (trading) capitalists into industrial capitalists in the context of privatisation in particular and neo-liberalism in general?

## Critique of the Marxist-Leninist Theory

The Marxist theory of the state when applied to Africa has been critiqued because the states in Africa are products of colonialism rather than outcomes of struggles between classes. Another critique of the Marxist political theory is that Karl Marx studied European capitalism in its infancy, hence his propositions cannot be applied to Third World nations, especially given the rudimentary development of classes in these social formations.

The task of applying Marxist analysis to the Third World was taken over first by Lenin (1983) in his analysis of the imperialist character of capitalism, and later by the Dependency and neo-Marxist theorists who are an outflow of the Marxist school of thought. Furthermore, the Marxist theory has advanced and has become more rigorous and scientifically entrenched than where Marx left it.

The argument against the relevance of class analysis to Africa is not supported by empirical studies based on the profitable application of class analysis on the African condition (Mamdani, 1976; Othman, 1984; Seddon and Zeiling, 2005; Shivji, 1976; Sklar, 1976, 1979; Toyo, 1987). The application of Marxist analysis in our framework enables us to critically analyse the role of different social classes in the accumulation

process in Nigeria and more importantly, how the accumulation pattern favoured by the dominant class impacts on crisis and contradictions of capitalist development in Nigeria.

## Analytical Deductions

Esconsced within the Marxist-Leninist theoretical discourse are conflicts of interest, hegemony, domination, expropriation, appropriation and exploitation both within local and global contexts. This flows from the fact that the state is a hegemonic instrument of class rule. In this context, the state is not only the instrument of class rule, it is also the site of class struggle especially in Third World nations such as Nigeria, where the ruling classes are highly underdeveloped and the state is a veritable tool for PCA.

Not only does this seriously fragment the ruling class into different factions by the issues of ethnicity, religion and other primordial ones, it ensures their continued subordination to the transnational class with primary interest in transnational accumulation as against national accumulation that has the potential for multiplier effect on capitalist development.

The neo-liberal notion of a disciplined state provides the enabling condition for free market and is simply a request on the state to return to its pristine role of ensuring capital capital accumulation by domestic and global capitalist forces. Consequently, the state remain a class force and operates in the long-term class interest of the dominant classes which is today dispersed spatially as a result of globalisation.

Moreover, no adequate understanding of the crisis of capitalist development of Third World economies can be achieved without first understanding the social relations of

production and class configurations within these societies. Second, the implication of the integration of these societies into the world capitalist system and the new class configurations and capital accumulation processes which must be critically analysed.

Third, the nature and character of the state needs to be examined. The existent of the Nigerian state in a condition of dependency cannot be overemphasised in the understanding of the crisis of capitalist underdevelopment. There is need to situate the Nigerian state within the parameters of imperialist exploitation. This is because imperialism not only conditions the state and its processes, the character of classes and class struggle in the countries of the southern hemisphere, as well as their proximity to the means of production and power and the possibilities of accumulation of capital are determined by conditions imposed by imperialism.

The outflow of wealth from the continent through the looting of resources has weakened the forces of domestic capital accumulation and the possibilities of capitalist development. This is because African nations are dependent and structurally weak in relations to foreign capital. As a result, the dictates of imperialist capital determines the condition, rate and nature of capital investments, the deployment of resources and ultimately the direction of capitalist development in these countries.

An indirect consequence is that the citizens of these African nations have become disempowered and lack the necessary capacity to be of relevance in the drive and struggle for capital accumulation. Foreign capital is thus left with little or no challenge over capital appropriation and expropriation from the continent. Compounding this

situation is the alliance between the African comprador and petty bourgeoisie classes and transnational capital. This class alliance compromises the historical role the national bourgeoisie is expected to play as a catalyst of capitalist development on the continent.

## Research Design

The data for this research were generated from both primary and secondary sources.

## Primary Sources:

The primary data was obtained through interaction and interviews with key stakeholders in the Nigerian political economy using elite interviewing (Johnson & Joslyn, 1995).

## Elite Interviewing:

Elite interviewing is not concerned with the classical elite theory seen as social aristocrats. Elite, in the context of our research methodology are those with special knowledge and information relevant to the research problems (Manheim, Rich, Willnat & Brians, 2006), regardless of their position on the social heirarchy. It is the researcher ultimate judgment who is an elite in the context of the research. Dexter (1970 cited in Johnson & Joslyn, 1995:262) sees an elite as someone “who in terms of the current purposes of the interviewer is given special, nonstandard treatment”. As a “special form of personal interview” (Johnson & Joslyn, 1995), the elite interviewing method entails in-depth discussion with people who are knowledgeable about the Nigerian political economy.

Given their special knowledge, respondents in elite interviewing are often accorded “non-standardized treatment”, (Dexter, 1970: 5 cited in Johnson & Joslyn, 1995;

Manhein, et al, 2006). Furthermore, background profiles of the elite respondents assisted in the understanding of the respondents‟ personality and mental disposition and how these impact on their perception and interpretation of events (Dean & Whyte, Dexter; Gordon, cited in Johnson & Joslyn, 1995: 265).

Internal consistency of responses was ensured in elite interviewing by comparing the different responses and adequate background knowledge of the research focus by interviewers (Johnson & Joslyn, 1995). The respondents selected for the elite interview are stakeholders in the Nigerian political economy deliberately chosen from different socio-economic and political backgrounds. These people in different ways play important roles within the state and its agencies. The elite interviewing method is used as a result of the special and sometimes privileged knowledge of those classified as elite on the subject of research. With the elite interviewing different perspectives, detailed and important information that would have been unobtainable using other methods of data gathering were collected from the respondents.

Finally, the plausibility of responses was carefully examined. Similarly, we ensured the internal consistency of responses by comparing and contrasting the responses from the different elite that were interviewed. This was coupled with a deep knowledge of the subject-matter of the research so as to be able to determine information from respondents that were not factual. Both formal and informal discussions were used to elicit the required information from our respondents on an elite interviewing guide.

## Secondary Sources

* 1. **Historical Records**

A vast amount of literature exists on Nigeria‟s political economy dating back to the contact of the different social formations that are merged to form the Nigerian nation with mercantilist capitalism through slavery, trade, and the final colonial subjugation and colonial administration of Nigerian. Similarly, textual and non-textual materials abound on the political economy of the Nigerian state since independence and post-colonial economy.

In undertaking this historical reconstruction and interpretative analysis, materials from the national archives, books, journals, monographs, government publications, magazines, and newspapers, and not the least the World Wide Web were used. Our secondary data were from libraries in Nigeria and Canada.

## Study Location and Site

The study was conducted in Lagos and Abuja in Nigeria, and the York University, Canada, under a University of Lagos Ph.D research study grant.

## Data Analysis

Descriptive and content analysis were used for the analysis of the data collected from books, journals, periodicals, newspapers, magazines, government papers and materials from the internet. The data were structured into “…predetermined categories and in a systematic and replicable manner” (Bryman, 2004:183).

With content analysis, primary materials from different sources were transformed from their raw forms into a more analytical and logical framework in terms of carefully determined variables. The data were classified and categorized according to variables for proper analysis. The data classification and categorisation were checked three times so as to eliminate miscoding of data. The verification procedure increased data accuracy. Efforts were made to ensure theoretical linkages and relevance of the different variables to the keep concepts and the overall research objectives.

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**CHAPTER FOUR**

* 1. **DATA PRESENTATION AND ANALYSIS I**

# Oil, Primitive Accumulation and the Crisis of Maldevelopment

*The exploitation of oil in resource-poor countries has been marred by two sad realities. The first is enduring poverty due to the misuse of oil revenues, the corruption of public institutions, or less nefarious political and institutional processes that nevertheless lead to imbalances in the economy and the withering of other productive sectors. The second i s a stark instrumentalism whereby the oil industry subordinates good governance, social equity, poverty alleviation, and environmental protection to the desire for economic efficiency and „good‟ returns on investment.*

- Grovogui & Leonard (2007).

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## Introduction:

In this chapter we shall undertake detailed historical and descriptive analyses of the crisis and contradictions of capitalist development in Nigeria. Starting from Nigeria‟s colonial experience the chapter problematizes the consequences of colonial integration of Nigeria into the global capitalist system as well as the implications of this for state and society, especially how it conditioned state-capital relations and the regime of accumulation which has resulted in maldevelopment. Maldevelopment depicts a condition of abnormal or distorted development.

The chapter further examines some of the major attempts by the dominant class in Nigeria in the decades after independence to engender capitalist development against the background of the oil political economy. The chapter demonstrates that oil accumulation has negated productive accumulation of capital and shows its implications for maldevelopment in Nigeria.

## Background to Capitalist Development in Nigeria

The Nigerian economy and society under colonial rule and the first decade after independence were powered by agricultural produce such as cocoa, cotton, groundnut and palm-oil. Peasant agricultural production was the basis of colonial accumulation from the Nigerian economy before between 1900 and 1960 when independence was granted. This reliance on revenue from agricultural produce continued in the first decade after the nation‟s independence in 1960. The leading position of agriculture in the Nigerian political economy was eroded with the discovery of oil in the later part of the 1950s, and with the oil boom of the early 1970s as the Tables 4:1 and 4:2 below show.

## Table 4.1: Nigeria’s Export of Crude Oil 1960-1997

|  |  |
| --- | --- |
| **Percentage of Crude Oil in Nigeria’s Total Exports 1960 –**  **1997** | |
| Year | Percentage (%) |
| 1960 | 2.7 |
| 1966 | 32.4 |
| 1968 | 17.5 |
| 1970 | 57.6 |
| 1971 | 73.7 |
| 1972 | 82.0 |
| 1973 | 83.1 |
| 1974 | 92.6 |
| 1975 | 93.6 |
| 1976 | 93.6 |
| 1977 | 93.4 |
| 1978 | 89.1 |
| 1979 | 93.8 |
| 1980 | 96.1 |
| 1981 | 96.9 |
| 1982 | 97.5 |
| 1983 | 94.3 |
| 1984 | 97.3 |
| 1985 | 97.1 |
| 1986 | 93.8 |
| 1987 | 92.9 |
| 1988 | 86.7 |
| 1989 | 92.2 |
| 1990 | 97.6 |
| 1991 | 96.6 |

|  |  |
| --- | --- |
| 1992 | 97.9 |
| 1993 | 97.7 |
| 1994 | 97.4 |
| 1995 | 97.3 |
| 1996 | 98.2 |
| 1997 | 97.6 |

Source: Aham, U., (2008), *Tell*, February 18:35.

The Table 4.1 above shows the steady movement of oil to a position of dominance in the Nigerian political economy. From a modest 2.7 percent contribution of crude oil to total exports in 1960, by 1997 oil attained an all-time high of 97.6 per cent contribution to Nigeria‟s exports (Aham, 2008:35). The increased share of oil in the nation‟s political economy is paralleled with increase in export from oil.

Table: 4.2: **Crude Oil Production and Export 1970-2003**

## (‘000 Barrels)

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Production | Export | Domestic Consumption |
| 1970 | 395,689.0 | 383,455.0 | 12,234.0 |
| 1971 | 558,689.0 | 542,545.0 | 16,144.0 |
| 1972 | 665,295.0 | 650,640.0 | 14,655.0 |
| 1973 | 719,379.0 | 695,627.0 | 23,752.0 |
| 1974 | 823,320.0 | 795,710.0 | 27,610.0 |
| 1975 | 660,148.0 | 627,638.0 | 32,510.0 |
| 1976 | 758,058.0 | 736,822.0 | 21,236.0 |
| 1977 | 766,055.0 | 715,240.0 | 50,815.0 |
| 1978 | 696,324.0 | 674,125.0 | 22,199.0 |
| 1979 | 845,463.0 | 807,685.0 | 37,778.0 |
| 1980 | 760,117.0 | 656,260.0 | 103,857.0 |
| 1981 | 525,291.0 | 469,095.0 | 56,196.0 |
| 1982 | 470,638.0 | 401,658.0 | 68,980.0 |
| 1983 | 450,961.0 | 392,031.0 | 58,930.0 |
| 1984 | 507,487.0 | 450,580.0 | 56,907.0 |
| 1985 | 547,088.0 | 486,580.0 | 60,508.0 |
| 1986 | 535,929.0 | 486,584.0 | 49,345.0 |
| 1987 | 483,269.0 | 390,514.0 | 92,755.0 |
| 1988 | 529,602.0 | 435,797.0 | 93,805.0 |
| 1989 | 625,908.0 | 522,481.0 | 103,427.0 |
| 1990 | 660,559.0 | 548,249.0 | 112,310.0 |
| 1991 | 689,850.0 | 585,838.0 | 107,040.0 |
| 1992 | 711,340.0 | 604,300.0 | 127,786.0 |
| 1993 | 691,400.0 | 563,614.0 | 127,786.0 |
| 1994 | 696,190.0 | 578,044.0 | 118,146.0 |
| 1995 | 715,400.0 | 616,900.0 | 98,500.0 |
| 1996 | 740,190.0 | 648,690.0 | 91,500.0 |
| 1997 | 759,710.0 | 673,340.0 | 86,370.0 |

|  |  |  |  |
| --- | --- | --- | --- |
| 1998 | 776,010.0 | 687,390.0 | 88,620.0 |
| 1999 | 778,900.0 | 666,490.0 | 112,410.0 |
| 2000 | 797,880.0 | 688,080.0 | 109,800.0 |
| 2001 | 817,150.0 | 674,930.0 | 142,220.0 |
| 2002 | 655,060.0 | 490,810.0 | 164,250.0 |
| 2003 | 655,060.0 | 490,810.0 | 164,250.0 |
| 1st Quarter | 191,950.0 | 151,450.0 | 40.500.0 |
| 2nd Quarter | 185,110.0 | 144,160.0 | 40,950.0 |
| 3rd Quarter | 206, 080.0 | 164,680.0 | 41,400.0 |
| 4th Quarter | 71,920.0 | 30,520.0 | 41,400.0 |

Source: Nigerian National Petroleum Corporation (NNPC). Adapted from Central Bank of Nigeria (2006), *Statistical Bulletin*, Vol. 17. Lagos: CBN.

## Note:

„000 is as in original. Represents million barrels.

From Table 4.2 above out of the 395,689,000 barrels of oil produced in Nigeria in 1970, 383, 455,000 that is, about 97 percent was exported. With a production of 655,066,000 barrels of oil and export of 490,810,000 barrels of oil in 2003, amounting to about 74 percent, oil still occupies the dominant place in the Nigerian political economy. Apart from the increase integration of the Nigerian economy into the international capitalist system, Nigeria‟s increased oil production and exports, represented increase wealth from oil.

## Table 4.3: Crude oil Production and Revenue in Nigeria 1958-2007

|  |  |  |
| --- | --- | --- |
| **Estimated Crude Oil Production and**  **Revenue in Nigeria, 1958-2007** | | |
| Year | Production (million  barrels) | Revenue (N  million) |
| 1958 | 1.9 | 0.2 |
| 1959 | 4.1 | 3.4 |
| 1960 | 6.4 | 2.4 |
| 1961 | 16.8 | 17.0 |
| 1962 | 24.6 | 17.0 |
| 1963 | 27.9 | 10.0 |
| 1964 | 44.0 | 16.0 |
| 1965 | 99.4 | 29.2 |
| 1966 | 152.4 | 45.0 |
| 1967 | 116.6 | 29.6 |
| 1968 | 51.9 | Not available |
| 1969 | 196.3 | 75.4 |

|  |  |  |
| --- | --- | --- |
| 1970 | 395.8 | 167 |
| 1971 | 558.7 | 510 |
| 1972 | 655.3 | 764 |
| 1973 | 719.4 | 1,016 |
| 1974 | 823.3 | 3,724 |
| 1975 | 660.1 | 4,272 |
| 1976 | 758.1 | 5,365 |
| 1977 | 766.1 | 6,081 |
| 1978 | 696.3 | 4,556 |
| 1979 | 845.5 | 8,881 |
| 1980 | 760.1 | 12,354 |
| 1981 | 525.5 | 8,564 |
| 1982 | 470.6 | 7,815 |
| 1983 | 450.9 | 7,253 |
| 1984 | 507.5 | 8,269 |
| 1985 | 547.1 | 10,915 |
| 1986 | 535.9 | 8,107 |
| 1987 | 482.9 | 19,027 |
| 1988 | 529.0 | 20,934 |
| 1989 | 626.7 | 39,131 |
| 1990 | 660.6 | 55,216 |
| 1991 | 689.9 | 60,316 |
| 1992 | 711.3 | 115,392 |
| 1993 | 695.4 | 106,192 |
| 1994 | 696.2 | 160,192 |
| 1995 | 715.4 | 324,548 |
| 1996 | 681.9 | 369,190 |
| 1997 | 855 | 416,811 |
| 1998 | 806.4 | 289,532 |
| 1999 | 774.7 | 500,000 |
| 2000 | 828.3 | 1,340,000 |
| 2001 | 859.6 | 1,707,600 |
| 2002 | 725.9 | 1,230,900 |
| 2003 | 844.1 | 2,074,300 |
| 2004 | 900.0 | 3,354,800 |
| 2005 | 923.5 | 4,762,400 |
| 2006 | 814.0 | 6,109,000 |
| 2007 | 880 | 6,700,000 |
| Total | 23,183.9 | N29.8 trillion |
| Summary:   1. Crude oil production 1958-2007 = 23.2 billion barrels 2. Total revenue from crude oil 1958-2007 = N30 trillion   Sources:   1. Petroleum Inspectorate, NNPC 2. CBN Annual Report and Statement of Account various issues 3. Annual Abstracts of Statistics 2007 | | |

Source: Usman, S., (2008), *Tell*, February 18: 28.

According to Evans (1999), Nigeria earned over $300 billion between 1969 and 1999. Based on official statistics (Table 4.3), Nigeria‟s estimated oil production and revenue

from 1958 and 2007 was 23,183.9 billion barrels and N29.8 trillion, respectively. From a mere $3.22 per barrel in 1972 Nigeria Bonny Light, known as “sweet oil” and the preferred oil in the international market, chalked an average of $55.43 per barrel in 2005.

Despite this monumental oil revenue poverty has experienced mostrous leap in Nigeria with less endured African countries much better. According to Watts (2008:27-28):

Over the period 1965-2004, the per capita income fell from 250 to 212 USD while income distribution deteriorated markedly. Between 1970 and 2000, the number of people subsisting on less than one dollar a day in nigeria grew from 36 percent to more than 70 percent, from 19 million to a staggering 90 million. Over the last dedacde, both GDP per caita and life expectancy have fallen, according to World Bank estimates. According to the United Nations Development Programme (UNDP 2006), Nigeria ranks in terms of human development index (HDI) – a composite measure of life expectancy, income, and educational attainment – number 158 below Haiti and Congo ....

Indeed, Nigeria is a compounding tale of paradox of abundance (Watts,2008). The poverty in the midst of abundance which is a common characteristic of most resource dependent countries is the basis of the “resource curse” thesis (de Soysa, 2000; Grovogui & Leonard 2007; Karl, 1997; Ross, 2001; Sachs & Warner, 2001; Watts, 2005). This condition of poverty in the midst of abundance has been described as the “Dutch Disease”. For Adejugbe (2006:3), “Specifica**l** y, the Dutch Disease describes the co-existence within the traded goods sector of progressing and declining, or booming and lagging sub-sector. The phenomenon reflects the effects of asymmetric growth on resource a**l** ocation and income distribution”.

The Dutch diesease, also known as “oil curse”, described how oil wealth undermine productivity in the real sector in resource abundant economies. By awashing the state with money from economic rents as against productive activities, economies of resource abundant nations experience depreciation of the domestic currencies. Given that these

countries are dependent on mineral resources the price of which they do not control. The commodities they export are at a loss as a consequence of the depreciation.

On the other hand, being highly dependent on foreign inputs for production and elite consumption, with depreciation of the domestic currencies, more money is spent on imports leading to increased cost of production, lack of competitiveness of domestic exports and capital flight. With little or no production going on in the domestic economies the “Dutch Diesease” causes low production and create markets for foreign goods with the implications for increased unemployment, poverty, crime among others.

As Jakob (2010) argues, Dutch diesese lead to “resource movement effect” which shifts labour and capital away from the productive sectors to the resource rent-dependent sector. The negative implication manifest in the underdevelopment of productive forces, impossibility of productive accumulation, arrested development and mal-development.

Commenting on the resource curse and the Dutch disease, Larsen (2004:1) notes,

Oil nations such as Iran and Venezuela grew at 1- percent per year from 1968 to 1998 and Iranq and Kuwait grew – 3 percent. These disappointing results may arise from negative effects of riches on policies and human endearvors. The riches may be a curse rather than a blessing. Moreover, resource riches may displace or diminish the manufacturing sector, a symptom of the Dutch Disease. The disease may become an acute problem since the manufacturing sector is often associated with productivity growth and technical advance. Since many resource booms are only temporary, the displayment may portend a later on-set of stagnant growth.

To compound Nigeria‟s woes and as a manifestation of the effects of the “Dutch Disease”, on a national scale most essential social infrastructure are non-functional, while those still managing to function are in a palpable and terrible state of disrepair and decay. In addition, the instrument of labour and other forces of production remain underdeveloped. Nigeria‟s economy not only lacks forward and backward linkages the

forces that propel the economy are outside the nation‟s borders. Governance in Nigeria has become a platform for PCA by the different factions of the comprador and petty bourgeoisie classes, as well as their foreign partners.

As a result the above problems, in the last two decades the wheel of Nigeria‟s economy has literally grounded to a halt. Nigeria, a one-time flourishing economy, has become a classical case of maldevelopment, such that poverty in Nigeria is pervasive, with the nation in the grip of deindustrialisation. With the oil boom of the 1970s and the torrential flow of oil rent, agricultural production which sustained the economy during colonialism and the decade before independence until oil assumed primacy was negated.

Oil is the basis of the hegemonic power of the domestic accumulating classes (Zalik,

2004). It is for this reason that Watts (2007:641) argues that, “...85 per cent of oil

revenue accrue to 1 per cent of the population; perhaps $100 billion of the $400 billion

in revenues since 1970 have simply gone missing”. This has consequences for the

development of domestic capitalism in Nigeria. There have been many attempts at

confronting and reversing the parlous condition of the Nigerian economy caused by a

combination of all these factors.

Some of the strategies that have been attempted to resolve the crisis of Nigeria‟s capitalist development like: Indigenisation, Austerity Measure, Debt-Equity Swap, Structural Adjustment Programme (SAP), Import-Substitution Industrialisation, Debt Management, and lately, Privatisation, are discussed in the later part of this study.

Despite these different strategies, Nigeria is still in the throes of economic crisis. What are the factors that led to this economic crisis and underdevelopment barely five

decades ago? And why have all the efforts to bring about capitalist development in Nigeria failed to yield positive results? How do we understand the Nigerian crisis and contradictions of capitalist development?

A number of analysts have argued persuasively that the crisis of capitalist development in Nigeria is deeply rooted in the nation‟s historical past, especia**l** y the nation‟s role in the international capitalist system (Ake, 1985a, 1996c; Bagura, 1984, 1991; Ihonvbere, 1991, 1994, 1996; Nnoli, 1991; Okolo, 1987; Olukoshi, 1991a; Onimode, 1978, 1982; Osaghae, 2002; Williams, 1980, 1981). It is against this background that a critical examination and analysis of colonial imperialism and its implications for Nigeria‟s capitalist development is imperative.

## Colonial Imperialism in Nigeria: the Origins of Dependence

Imperialist exploitation and PCA by foreign powers in Nigeria predated formal colonial rule (Ofonagoro, 1979; Onimode, 1982). Prior to the institutionalisation of formal colonial rule in Nigeria by Great Britain slave trade and mercantilist imperialism led by Britain, Portugal and Spain were used to plunder Nigeria of her human and material resources by Britain, Portugal and Spain (Onimode, 1982).

Overtime, the dynamics of imperialist competitions over spheres of accumulation made the need for direct political and administrative control by imperial powers compelling. Thus, the attainment of “monopolist” and “corporate” stages by imperialism was highly significant for the establishment of colonialism and the role played by trade as a mechanisms for colonial exploitation, plunder and PCA in Nigeria.

Nigeria was built and maintained by British colonialism through violence (Coleman, 1986) for the primary purpose of imperialist accumulation. In this context, bureaucratic and administrative manipulation, trade domination, economic and financial monopoly, ideological and psychological controls were deployed as mechanisms for the domination and exploitation of the Nigerian people by British colonialism in furtherance of the objectives of imperialist accumulation.

The foundation and defining character of the Nigerian state were established through the integration of the economy into the international capitalist system, the enforced role it played in the system, and not the least, the unequal trade relations the nation was subjected. Colonial imperialism through „free trade‟ integrated Nigeria into the international capitalist system as a producer of primary goods in consonance with the capitalist logic of comparative advantage.

Under this arrangement, Nigeria produced raw materials for industries in Britain, while she imported finished and manufactured goods from British industries. The raw materials produced made the Nigerian economy an appendage economy to metropolitan capital. Profits made from the produce traded by Nigerians were used to expand trade rather than the forces of production, thus engendering surplus leakages from the economy (Macgaffery, 1987).

The earnings from commodity exports by Nigeria returned to Britain as payment of taxes to the Crown Government as well as payments for the importation of manufactured goods. The enforced concentration on the production of cash crops in Nigeria as well as the importation of finished consumer goods from Britain led to the reduction in the production of food for domestic consumption. This is because the

possibility and capability to buy imported goods were related to the amount earned from cash-crops exports.

The cash-crop economy under colonial autocracy laid the foundation for the food crisis and dependence that resulted in several billions of dollars spent on food importation in the last three decades. The explosive and negative implications of importation on the Nigerian economy manifested soon after independence. For instance, between 1974 and 1979 Nigeria‟s import bi**l** rose from N 1,737 million to N1 bi**l** ion (Ihonvbere, 1994).

The pattern of trade relations institutionalised by colonial imperialism in Nigeria apart from disarticulating the domestic economy, also made it externally oriented, promoted unequal and exploitative exchange relations and the appropriation of surplus by British imperialism through monopolistic pricing. The organic linkage between Nigeria and the international capitalist system in general and British imperial autocracy in particular, was established, serviced and sustained through this surplus transfer mechanism by imperialist capital (Onimode, 1982).

In the context of the colonial economy, trade was the earliest form of economic engagement that Nigerians were involved in. While trading and commercial activities were dominated by foreign capital with the active support of the colonial state, Nigerians acted both as middlemen and retailers. The dominance of commercial activities in Nigeria by British multinational firms during colonialism had serious implications for the lack of capital, industrial competence and the lack of control over the means of production by the indigenous petty bourgeoisie (Akeredolu-Ale, 1975; Falola, 2004; Ofonagoro, 1979).

The dominance of foreign multinational firms in the Nigerian colonial economy facilitated the development of an informal economy and a commercially-oriented indigenous class which lack the capacity for capital accumulation that is at the core of capitalist development. To Ihonvbere and Shaw (1998:2), “the ubiquitous informal sector can only advance survival, not accumulation and reinvestment”. Consequently, the capacity to engender capitalist development in Nigeria was historically and structurally circumscribed.

Given the above structural disability, the indigenous business class became, after independence, risk-averse. Following the ease of making cheap money from engaging in middlemen‟s role in the colonial import-oriented commercial chain, the Nigeria‟s private sector grew to prefer the line of least risk typified by involvement in commerce as against manufacturing.

The private sector after independence became heavily dependent on the state and government patronage. The rent-seeking orientation and neo-patrimonialism that have become the hallmark of Nigeria is partly a fa**l** out of the private sector‟s attempt at penetrating and using the state for accumulation.

The Foster-Sutton Tribunal of Enquiry and Coker Commission of Inquiry involving Dr. Nnamdi Azikwe and Chief Obafemi Awolowo respectively at the eve of the nation‟s independence bear testimony to the disposition of using the state for PCA by the Nigerian political class (Coleman, 1986; Okojie & Momoh, 2007; Osoba, 1996).

British colonial authority in Nigeria also implemented carefully orchestrated policies for the deindustrialisation and underdevelopment of the Nigerian economy (Akeredolu-Ale,

1975; Ihonvbere &Shaw, 1998; Onimode, 1982). In this wise, British colonial rule politically sanctioned and authored the weakness of the Nigerian economy against the rapacious assault and exploitation of foreign capital. It was in this sense that British colonial policy in Nigeria was highly programmatic and futuristic; ensuring that actions were linked with future post-colonial imperialist exploitation of Nigeria by Britain.

In terms of the development of domestic capitalism in Nigeria, British colonialism showed the least interest. While colonialism through trade ensured the integration of Nigeria into the international capitalist system and the introduction of capitalist relations through market activities, the colonial administration deliberately ensured that the full forces of capitalist social relations of production were never unleashed. Thus, colonial power cleverly circumvented the possibilities of full blown capitalist development of the Nigerian political economy (Williams, 1980).

Capitalist crisis and contradictions continue to afflict the Nigerian political economy, with debilitating consequences. It was to this effect that Williams (1980:11) opines that, “Nigeria suffered, not only from the development of capitalism, but also from the backwardness of that development”.

Where capitalist relations of production were unleashed on Nigeria, it was limited to a very small sector of the economy; hence, feudalist mode of production still existed in the larger part of the Nigerian economy (Bangura, 1991; Ekundayo, 1973, cited in Ihonvbere & Shaw, 1998). As a result, the Nigeria dominant class not only exists in condition of marginality in the economy (Ake, 1996a), the existence side-by-side of different and contradictory modes of production within the Nigerian economy

engendered contradictions and crisis. This situation makes domestic capital accumulation difficult as was clearly demonstrated after independence in 1960.

## The Nigerian Crisis of State-Building and the Problem of Capital Accumulation

The socio-economic and political integration of the Nigerian state by colonial autocracy was simply to ensure ease of governance and administration and capital accumulation. Beyond these, systemic and administrative mechanism geared towards undermining the unity and harmony of the nascent Nigerian state were promoted by the colonial authority (Ayoade, 2000).

The colonial fragmentation of the various entities that make up the Nigerian nation were to ensure that the goal of capital accumulation by the Crown Government was achieved with the least resistance from Nigerians. The colonial tactic of divide and rule in Nigeria evinced what Mamdani (1996) with regard to Uganda referred to as “decentralized despotism”.

The crisis and contradictions of dependent capitalism find manifestation in the crisis of state-building in Nigeria. This feeds into relations between and within classes, groups and their divergent interests. Hence, statehood is still highly contested, as the national question in Nigeria is still far from resolution. The problem of state-building makes the mobilization of socio-economic and human capital for capital accumulation and capitalist development difficult. While the bourgeoisie despite their fragmentation and internal divisions are united for the purposes of class action and accumulation, the crisis and contradictions generated in the state-building process undermined national capitalist

development in Nigeria given the highly individualistic orientation and primitive nature of accumulation.

## Colonial Imperialism: The Making of a Weak and Factionalised Petty- Bourgeoisie

Development globally is primarily a class issue. Class agency plays an important role in the conception, implementation and outcomes of development (Leys, 1996). No nation has achieved development without a hegemonic class (seen in the classical Gramscian sense as “leadership”), consumed sufficiently by a developmental vision.

The hegemonic class is often propelled by a pragmatic and hegemonic ideology, and imbued with sufficient administrative, managerial, and organisational capacities with which to galvanize the historic bloc (Gramsci, 1971). The hegemonic class manipulates other variables that are germane to the achievement of a set of national and class oriented developmental goals.

Given the challenges to hegemony, which Cox (1994) refers to as hegemonic transition, it cannot be over-emphasised that the survival and hegemony of the class in control of state power must be consistent with the need for engendering capitalist development. When the hegemonic class in a state have difficulty in organically linking the imperative of capital accumulation and capitalist development to its own objective class interest capitalist development becomes a remote possibility.

Leys (1996:165) contends that, „„capitalist development is about class interest of a particular social group in contradistinction to the collective interest of others. Capitalist development therefore is not value-free and the class oriented development position of the dominant class condition the direction of the development of the state‟‟.

For the above reason, a working knowledge by the class leading capitalist development is central to the question of the type of capitalist development and its outcome. The same is true of how to manage the externalities of capitalist development, in terms of appropriate choices before, during and after the different turns in the match towards capitalist development.

The adequacy or otherwise of the above variables to different classes championing capitalist development strongly relate to specific historical contexts which define and give meaning to the nature, character, interests, power, and material constitution of social classes, especially their relations to capital and their own perculiar mechanism for capital accumulation. For this reason, an adequate knowledge of the social structure for accumulation is of paramount importance in the analysis of the dynamics of capitalist development.

For Heintz (2002), the economic, social and political institutions and conditions that are supportive of capital accumulation make up the social structure of accumulation. These supportive social structures of accumulation cannot be taken for granted. This is because crisis and contradictions within the social formation may compromise the integrity of core institutions relevant to the stability and sustenance of the requisite institutional environment central to capital accumulation (Heintz, 2002).

The crisis and contradictions engendered by colonial rule in Nigeria were such that made the resultant economic structure incapable of being a platform for capitalist development of the Nigerian state. The nature and character of the dominant class negatively impacted on capitalist development. Similarly, the institutional modalities put in place by the colonial authority at independence in 1960 to sustain the new nation were weak for capitalist development and also compromised the indigenous class ability to champion it.

An important aspect of the Nigerian class structure under colonial rule is that rather than economic position being the absolute criterion for class characterization, political exigencies and closeness to political power played an important role in class position. Thus, many belong to a class by position. Many of such people have capitalized on their positions to engage in PCA to transform their class membership. The colonial order that gave birth to the Nigerian domestic class has ensured that the emergent commercial and comprador bourgeoisie are incapable of fulfilling the mission of capitalist development in Nigeria (Beckman, 1982). Commercial capitalism is the primary basis of capital accumulation in many Third World nations (Shivji, 1975).

Involvement in colonial politics and the struggle for power amongst the Nigerian indigenous class as the nation advanced towards independence in 1960 revealed the fractured and crisis-ridden under-belly of the Nigerian embryonic domestic classes. Through deliberate political mechanism, colonialism ensured the disunity and fragmentation of the domestic social classes (Ake, 1996a).

The first mechanism used was the divide and rule policy of colonial government which promoted differences and separation amongst the constituent units of the Nigerian

nation, coupled with a deliberate promotion of fear of domination of one section of the country by the other. Second, was the 1939 political balkanization of the Southern Protectorate into Western and Eastern regions, while the Northern region was left intact as a massive geo-political entity larger than the combined areas of the other two regions in what has been referred to as the “Bourdillon effect” (Ayoade, 2000).

Third, the differential development between the North and the South in education, social infrastructure, governance and economic orientations further engendered suspicion and fear of domination between the regions. As the nation matched towards self-government, it became difficult for political leaders from the different regions of Nigeria to work as one and articulate a united position against colonial imperialism. The Nigerian politicians most of the time worked at cross purposes and took antagonistic positions that often times benefitted colonial imperialism.

The division and contradictions between the indigenous classes in Nigeria were aggravated because the indigenous class had weak material base and the needed to appropriate the state as a mechanism for building its material base. All these made the members of the Nigerian indigenous class competitors as against collaborators. This affected their political unity in the struggle to end colonial rule. It further affected the economic options open to them, viz, socialism, state-capitalist or neo-colonial dependency. Regionalized economic patterns also saw varied regional dimensions to capital accumulation, with one region having more resources and produce than the others. Regional political actors promoted unhealthy rivalry which affected centralized and nationalistic capital accumulation.

The destructive consequences of these developments started manifesting from 1952 when the administration of Nigeria as a federal entity started. With national capital accumulation impossible due to the fragmentation of the political class in Nigeria and the lack of capital by the domestic business class, foreign capital continued its dominance of the Nigerian economy after independence.

## The Constellation of the Nigerian Ruling Class

The dependence of the Nigerian economy on foreign capital as well as the subordination and fragmentation of the indigenous accumulating class are factors favourable to the control of the Nigerian political economy by international imperialism. As Johnson (1983:10), notes with respect to Latin American nations, a position also true for Nigeria, “In spite of the appearance of concentrated class power, local bourgeoisie are not independent or strong classes, having to rely on foreign capital props. They are not hegemonic”. Moreover, since local bourgeoisie are far from homogenous, there is a good deal of intra-class conflict.

At independence in 1960, a clear structure of the Nigerian class formation had emerged. At the zenith of the Nigerian class structure were the owners of foreign capital in control of the Nigerian economy through their ownership of the means of production. This class, though outside the domestic economy controls the economy through its financial and technological advantages as well as its alliance and subordination of the domestic comprador and petty bourgeois classes.

The indigenous dominant class, fragmented as they are, constituted the second and subordinated layer of the Nigerian class structure. Despite occassional apperance of

unity, the Nigerian dominant class is fragmented along political, economic, religious and ethnic lines. The semblance of unity among the domestic accumulating class is a product of the necessity for the preservation of the exploitative capitalist order in Nigeria. The fragmentation of the dominant class also reflected the fragmentation of its paternal foreign capital without which its accumulation within the domestic economy is questionable.

The division amongst international capital further compounds the problem of fragmentation of the Nigerian dominant class. According to Ake (1985a), the Nigerian bourgeoisie reproduces the contradictions inherent in foreign capital. This fragmentation amongst the Nigerian dominant class resulted in their division into bureaucratic, comprador and petty bourgeois classes.

The different factions of the Nigerian domestic bourgeoisie profit from their association with the state and alliance with foreign capital. The use of the state as a means of production by the dominant class in Nigeria reflects the lack of viable material base by these classes and the underdevelopment of the productive forces. Given the subordinate position of the Nigerian indigenous dominant class in relations to foreign capital, Ake, (1985b:18-19) perceptively opines that the Nigerian dominant class is “...far from being a ruling class in power but merely government in office”.

As a consequence of this fragile condition of the indigenous dominant class in relation to foreign capital, there is a perennial crisis and contradictions between the logic of utilizing surplus from the domestic economy for investment, or for primitive and/or private accumulation, which is ultimately taken out as capital flight by the domestic and

transnational capital classes thus undermining the goal of capitalist development in Nigeria.

## State Capitalism, Accumulation and Capitalist Development

An understanding of the character of independence struggle holds the possibility of illuminating the capacity of the dominant Nigerian class as catalysts of capitalist development. According to Ake (1996c), the independence struggle in Nigeria was a reactionary struggle to take over state power and deploy it for the same exploitative and oppressive use by the colonial authority.

Lacking entrepreneurial capacity as well as technological competence, the Nigeria elite at independence made up essentially of commercial and bureaucratic groups resorted to the state for survival. Political power of the state was used as the basis for economic power from the period of regional self-government and ultimately on an unprecedented scale with the massive oil wealth. This took place in the form of state capitalism.

State capitalism in Nigeria obeys the logic of using the state for capital accumulation by the different factions of the Nigerian dominant class in the struggle to build its material base and exercise political advantage over their competitors. State capitalism suits the patron-client network for the retention and consolidation of political power by the Nigerian political class as it provides the resources for the mobilisation and maintaining the loyalties of supporters.

Added to this is the utility of state power in the context of state capitalism to forge cooperative association and secure superior bargaining power with foreign capital in what Marenin (1988) describes as an archetypical case of “perverse peripheral capitalist

development”. Thus, state capitalism helped in the maintenance and sustenance of the political economy of primitive accumulation.

State capitalism, according to Ake (1985a), is a major factor responsible for the crisis of dependent and peripheral capitalist development in Nigeria. State capitalism enables the dominant class in Nigeria to use the state as an instrument for appropriation of social resources in the interest of private capital. Under it, the state becomes the core entrepreneur, mobilizing and organizing conditions for capital accumulation on behalf of private capital whose network within the state, its institutions and agents serve as context of building the material basis of the indigenous capitalists.

The concentration and centralisation of resources in the state is a major strategy of state capitalism. This centralized resources rather than deployed for production end in private hands as spoils of capturing the state. The Nigerian state not only plays a dominant role in production, ownership and control, it uses its proprietary rights over social resources, including oil, as a mechanism for social appropriation. Furthermore, the Nigerian state uses its control over social production to award social rewards to members of the domestic dominant class and foreign capital. In this way, the Nigerian state determines income, access to resources and consumption. By so doing, the Nigerian state is transformed into a site for class struggle and accumulation.

Just as the state exists in condition of dependency on foreign capital, so do private capitalist interests depend on the state for private accumulation. Given its dominance in the Nigerian economy, foreign capital equally feeds off the Nigerian state as a basis of transnational capital accumulation. A common denominator in all these is that

accumulation is unproductive in nature, with serious and negative implications for capital accumulation and capitalist development in the country.

This dual context of dependence on the Nigerian state compromises state autonomy and limits its capacity as a veritable agency for capitalist development. The ensuring struggles for the control of the state given its instrumental value for accumulation amongst members of the domestic class engenders political instability, just as it aggravates the crisis and contradictions of dependent capitalism. As Ake (1985a) rightly notes, unproductive accumulation through state capitalism only serves to constrain capitalist development in Nigeria.

The struggle for state power acquires a desperate propensity given the reality that the pendulum of state power determines the fortune of members of the Nigerian dominant class. This is because class condition and composition follow the Nigerian state intervention in the economy. As a result, there is a fundamental alteration in the dynamics of class struggles, within and between classes every time the state intervenes in the economy. This has implications for capital accumulation by the class in control of state power and those outside of the state. The political contests and resultant political instability in Nigeria have grave consequences for domestic capitalist development.

The instability in the control of state power amongst the different factions of the dominant class in Nigeria not only makes accumulation through state capitalism difficult, it also limits its potential as a basis for sustained domestic capitalist development. Contest over accumulation are not only amongst the dominant class in Nigeria; the struggle for displacement and advantageous accumulation also takes place

between the indigenous dominant class and foreign capital. Hence, the Nigerian state is an object for predatory accumulators both domestic and foreign.

However, the contests amongst the domestic ruling classes on the one hand as well as between the domestic class and foreign capital on the other hand are dynamic. The contests oxillates between cooperation and antagonism depending on perceived benefits and threats. In other words, these contests and cooperations evokes different strategies and permutations based on the perception of pay-offs and organic interests.

Ake (1985b) however argues that the inclination for collaboration between foreign capital and the dominant class in Nigeria are higher than the tendency for conflict. Mutual collaboration between domestic and foreign capital in economic exploitation and capital accumulation in Nigeria consequently assumes primacy over antagonism. As primary beneficiaries of the exploitative activities of foreign capital in Nigeria, the indigenous accumulating class would be acting against its best interest if it decides on a revolutionary confrontation with imperialism through actions that directly negate foreign capital‟s accumulative imperative in the Nigerian political economy.

The primary reason lies in the unity of interests between the domestic accumulating class and foreign capital. While the Nigerian domestic accumulating class provides the political and social conditions for accumulation, foreign capital supplies the technology for capital accumulation (Ake, 1985b). Herein lies one aspect of the dynamics and problems of capitalist development in Nigeria. Furthermore, the survival of the dominant class in Nigeria is organically tied to its subordinate role as facilitator of capital accumulation by transnational capital in the Nigerian economy. This however is

not to deny the existence of a minority nationalist faction of the domestic accumulating class who is primarily interested in capital accumulation for domestic capitalist development.

Within the different factions of the dominant class in Nigeria the comprador and petty bourgeoisie classes have the upper hand. The power of these factions of the domestic dominant class rests mainly on the collaborative relationship they have with transnational capital (Macgaffery, 1987). In this regard, the nature of the state and the character of the dominant class negate the imperative for capital accumulation and the development of the productive forces which are *sine qua non* for capitalist development (Macgaffery, 1987).

## Neo-Colonial Capitalism and the Crisis of Underdevelopment in Nigeria

Neo-colonialism permits indirect control, domination and exploitation of former colonial states by imperialist forces through active but unequal collaboration with the domestic petty bourgeoisie in the former colonial states. Neo-colonialism amounts to power and continued imperialist exploitation without responsibility and accountability to the citizens of the dominated nations.

The foundation of neo-colonialism in Nigeria was laid in the subversion of the independence struggle and its trivialization as a struggle for power and the control of the machinery of the state by the highly fragmented petty bourgeoisie with the control over the economy in the firm grips of foreign capital. Not only was the Nigerian independence struggle lacking in ideological content, it manifested a high level of opportunism. The transfer of political power through the symbolic exercise of lowering of the Union Jack and the adornment of Nigerian elite with the official responsibilities

hitherto performed by the departing British colonial officers was all there was to national independence.

The control over the national economy, development of the nation‟s productive forces as well as engendering conditions favourable to production and reproduction of capital, and its retention within the Nigerian economy were never taken into consideration. It was therefore no surprise that in all the constitutional conferences that preceded the nation‟s independence, economic issues and agenda were never accorded the desired primacy by colonial authority and the nationalist leaders. The totality of the issues that formed the basis of the negotiated settlement amongst the fragmented petty bourgeois ruling class centred on inheriting and sharing political power at independence.

Thus, on 1st October, 1960, Nigeria became nominally independent but remained economically dependent on foreign capital. Consequently, the Nigerian political class left intact the colonial political economy with its inherent contradictions, dependency, and dominance by foreign capital. This inherited economy exhibited lack of organic linkages between the different sectors of the economy; and between the rural and urban areas. Added problems were infrastructural underdevelopment and technological backwardness.

Unlike their imperialist senior partners, the Nigerian petty bourgeoisie that took over power partly in 1952, and fully in 1960, had the unenviable responsibility of administering the new state and managing her precarious economy without previous experience in statecraft. The need to make the Nigerian economy work despite its structural contradictions overwhelmed the dominant class for a number of reasons.

First, was the fact that the Nigerian petty bourgeois leadership in control of state power had a responsibility to the imperialist forces who are the guarantors of their political power. Demands for capital accumulation by the imperialist forces did not abate by the reason of Nigeria‟s independence. On the contrary, it heightened with the discovery of oil in commercial quantity. The dominant class in-charge of the Nigerian state consequently had to deliver to secure their tenureship over the Nigerian state.

Second, the masses of Nigerians mobilised in the course of the nationalist struggle with promises for a better life after independence similarly demanded the benefits of independence, especially given the noticeable and visible transformation of the material profile of many Nigerian politicians who had leveraged on their political positions.

The challenge for the realisation of the desire by the Nigerian petty bourgeois leadership to satisfy the yearnings for accumulation was to transform the nation‟s agrarian economy into an industrial capitalist economy.This desire for the industrialisation of the Nigerian economy flowed from the belief that industrialisation held the key to Nigeria‟s economic transformation and capitalist development. To the Nigerian political leadership, industrialisation had both functional and instrumental purposes. Not only was industrialisation seen as positively correlated to higher living standards for the people, industrialisation was believed to enhance a nation‟s perception in the comity of nations (Akinsanya, 1983).

Furthermore, to finance its development programmes and promote capital accumulation for the different class interests in the Nigerian economy, it became incumbent on the Nigerian petty bourgeois leadership to ensure maximum exploitation and appropriation of the production of the peasantry through the increased exploitation of the mechanisms

of the marketing boards. This was achieved through the under-payment of peasants below the market prices of their produce in the international market in what was described by Abdullahi (1985, cited in Ladipo, n.d) as a ‘strategy for accumulation without responsibility'.

Gray (cited in Ladipo, n.d), notes that between 1961-1965 farmers were not only paid below the prevailing international prices, they were also heavily taxed by the state to fund its development. According to Gray (cited in Ladipo, n.d), “... as a result of these levies, the producer‟s shortfa**l** per metric ton of produce sold during the period of 1961- 1965 averaged 30.5% for cocoa, 8% for groundnuts, 2.6% for cotton, 10% for palm kernels. 17.2% for palm oil, and 19.6% for rubber”.

For instance, capital accumulated from peasant farmers amongst other things, were invested in Western Nigerian Investment and Property Board, and the Northern Nigerian Industrial Development Company, in the Western and Northern regions respectively. These investments were used by the dominant class in Nigeria to build their material base through PCA. This set the basis for class contradictions and conflicts between the dominant class and the dominated classes in Nigeria, one of which was the Agbekoya revolt in Western Nigeria (Williams, 1980).

In terms of ideological focus, a mixed-economy orientation informed state policies. Under the mixed-economy orientation, the Nigerian economy allowed for the coexistence of both public and private initiatives in economic affairs. However, given the colonial economic policy that saw to the strangulation of indigenous capital in Nigeria, private capital at independence was understandably underdeveloped,

commercial, foreign and exploitative. Aware of the inadequacy of public revenue which

comes mainly from agricultural exports and the instability of the international market prices of exports, at the national and regional levels, deliberate steps were taken to attract private investments and foreign loans for the capitalist development in Nigeria.

First, governments at all levels in Nigeria embarked on programmes geared towards the encouraging and nurturing indigenous entrepreneurs. Second, the different regional governments put in place aggressive measures to attract Foreign Direct Investment (FDI). Paradoxically, the Nigerian state put in place conditions favourable for imperialist exploitation of the resources of the country in her attempt to engender capitalist development.

The Nigerian state displayed its commitment to ensuring accumulation by both indigenous and foreign capital in the name of promoting national development (Oni, 1975). The regime of accumulation favoured under this arrangement was highly unproductive and goes against the *raison d‟etre* of classical capitalist development. Indeed, in 1956, four years to political independence, the Prime Minister, Alhaji Tafawa Balewa, made a solemn commitment to the imperialist forces that nothing unwholesome will happen to capitalist investments in Nigeria (Akinsanya, 1983:149).

This promise of ensuring favourable conditions for foreign capital flowed from the need to bridge the serious gap between the paucity of available local capital, capacity for local capital accumulation and the need to secure the requisite capital for capitalist development in Nigeria (Proehl, 1965:159, cited in Akinsanya, 1983: 146). The Nigerian government not only allayed the fears of possible nationalisation of foreign capital in Nigeria, it went further to promise “fair compensation in the event of

nationalization, remittance of profit, non-discrimination and financial stability” (Akinsanya, 1983).

A number of steps were taken to court FDI and make Nigeria an attractive destination for it, namely, Pioneer Industries Act No. 10 of 1952, and Industrial Development (Income Tax Relief Act, 1958), (Akinsanya, 1983; Onimode, 1982). In addition to the above legislations, the following policies were put in place to attract foreign capital as well as encourage indigenous capital: Industrial Development (Import Duties relief) Act 1957, Income Tax (Amendment) Act, 1958, and Custom Drawback Regulation 1958 (Akinsanya, 1983). All these were part of the efforts to buoy the confidence of foreign capital and promote capital accumulation and capitalist development in the Nigerian economy.

Imperial capital demonstrated confidence and support to the petty bourgeois leadership in several ways. The provision by foreign capital of forty percent of the funds for the 1955-1962 Nigerian Development Plan was a show and demonstration of support. Similarly, of the $1,892 million for the First National Development Plan (1962-1968)

$949.2 million was also contributed by foreign capital (Coleman, 1963, cited in Akinsanya, 1983).

## The Failure of Development Plans

Development planning in Nigeria pre-dated independence in 1960. However, a critical analysis of the content of all the development plans in Nigeria and their ideological orientation revealed that development planning was a misnomer, because anything but development resulted from the plans.

Furthermore, a careful analysis of Nigeria‟s history of development planning showed that plans were in the main not focused on ensuring the development of capitalism in Nigeria. Rather, the plans provided a veritable platform to capital accumulation for both domestic and foreign capitalist interests. The claim to radically transformation the Nigerian economy through unleashing the forces of capitalist production made in these plans at best remains at the level of slogan than action.

Development plans are mechanism for engendering private capital accumulation by the Nigerian petty bourgeois class and foreign capital. Projects contained in successive Development plans became white elephant projects as contractors usually abandoned sites no sooner after monies were released by the government for implementation. Planning was not only elitist, as Oni (1975: 89) succinctly argues, it was also a platform for engendering “capitalist exploiters or to promote private accumulation...”. It is therefore safe to submit that the failure of development planning in Nigeria cannot be disassociated from the logic of ensuring the continued imperialist exploitation and neo- colonial domination of the Nigerian economy through capital accumulation by the combined forces of domestic and foreign capital.

With entrenched planlessness and intense PCA, the contradictions of dependent capitalism soon took its toll on the Nigerian state. The Nigerian petty bourgeois leadership soon got immersed in serious crisis that destabilised the political order of the new nation. The various electoral malpractices, economic mismanagement, human rights abuses, oppression of ethnic minorities, constitutional violations and other sundry crimes of the petty bourgeois political leadership culminated in the seizure of state power by the military arm of the petty bourgeoisie on 15th January, 1966.

The military was part and parcel of the crisis and contradictions of dependent capitalism in Nigeria, it could not overcome the crisis that brought it to power. Rather, the military deepened the crisis and contradictions of decadent capitalism in Nigeria and plunged the nation into a thirty-month gruesome civil war. Oil assumed importance in the Nigeria political economy during the civil war. Similarly, the oil boom in the 1970s led to the development of a rentier and highly centralized state. These development complicated the crisis and contradictions of capitalist development.

## The Oil Economy and Crisis of Accumulation

Nigeria discovered oil in commercial quantity in 1956 in a village, Oloibiri, in present day Baylesa state. However, oil did not play a prominent role in the Nigerian political economy until after independence when it displaced agriculture as the major foreign exchange earner. Since then, the oil economy has become firmly rooted, accounting for “...80 per cent of government revenues, 95 per cent of export receipts, and 90 per cent of foreign exchange earnings” (Watts, 2005: 51).

Nigeria Federal Gross Domestic Product (GDP) and transfers following on the new oil political economy raised from 19 per cent in 1973 to 54 per cent in 1977/78. In the same vein, public employment climbed from 500,000 to 5,000, 000 between 1973 and 1981 (Forrest, 1993). As a result, the primacy of oil cannot be over-emphasised in the political economy of post-colonial Nigeria.

## Table: 4.4: Prices of Nigeria’s Oil 1972-2005

|  |  |
| --- | --- |
| **Average Prices of Nigeria’s Bonny Light 1972 – 2005**  (per barrel) | |
| YEAR | BONNY LIGHT |
| 1972 | 3.22 |
| 1973 | 4.11 |
| 1974 | 12.84 |
| 1975 | 11.87 |
| 1976 | 13.59 |
| 1977 | 15.22 |
| 1978 | 14.16 |
| 1979 | 33.35 |
| 1980 | 38.82 |
| 1981 | 37.06 |
| 1982 | 35.60 |
| 1983 | 30.0 |
| 1984 | 29.19 |
| 1985 | 28.15 |
| 1986 | 14.16 |
| 1987 | 18.53 |
| 1988 | 15.09 |
| 1989 | 18.61 |
| 1990 | 24.04 |
| 1991 | 20.50 |
| 1992 | 20.00 |
| 1993 | 16.04 |
| 1994 | 16.20 |
| 1995 | 17.36 |
| 1996 | 21.59 |
| 1997 | 19.40 |
| 1998 | 12.77 |
| 2001 | 24.53 |
| 2002 | 25.04 |
| 2003 | 29.20 |
| 2004 | 38.73 |
| 2005 | 55.43 |

Source: Usman, S., (2008), *Tell*, February 18:34.

With the preeminence of oil in the Nigerian political economy capital accumulation from the peasant economy rooted in agricultural production was supplanted by oil-

based accumulation. A number of factors combined to engender the dominance of oil- based accumulation in Nigeria.

Watts (2005) identifies four major oil complexes that are fundamental to the operation of oil capitalist accumulation in Nigeria, namely:

1. A statutory monopoly over mineral exploitation (the Solid Minerals law, and 1969 Petroleum law);
2. A nationalized oil company (NNPC was set up in a phase of state indigenisation in 1971) that operates through Joint Ventures (Memoranda of Understanding) with oil majors who are granted territorial concessions (blocs);
3. The security apparatuses of the state (working synergistically with those of the companies themselves) protecting costly investments and ensuring the continual flow of oil; and
4. An institutional mechanism (in Nigeria ca**l** ed „Derivation Principle‟ and Distributive Pool Account (DPA) formed in 1966, later renamed as the Federation Account in 1979) by which federal oil revenue are distributed to the states and producing communities, and not the least ,the oil-producing communities themselves (Watts, 2005).

In the latter context, Watts (2007:64) notes that, “The history... of post-colonial Nigeria is in a sense the history of the reconfiguration and contestation over revenue a**l** ocation‟‟. In the same way, revenue a**l** ocation reflects the balance of class power in Nigeria (Obi, 1998).

These four oil complexes in the Nigerian political economy have serious implications for oil-based accumulation and the crisis and contradictions of capitalist development in Nigeria. First, the monopoly control over oil exploitation alienated communities from their traditional communal landholding, and transferred resources from local communities to the federal government. The massive revenues from oil and the consequent centralised accumulation in the hands of federal authority in Nigeria continue to deepen PCA and prevent productive accumulation of capital so fundamental for capitalist development.

Second, Incorporated Joint Ventures (IJVs) with oil multinationals in control of oil technology further concretised Nigeria integration into the international capitalist system as a dependent and peripheral state. Additionally, oil exploration is based on capitalist production relations and technology.

The control over the technology of oil exploration ensured the continued dependency of Nigeria on foreign capital and the export of capital that would have been used for capitalist development from the Nigerian economy in the name of operational profits and dividends. As Cardoso (1972) argues, “The control over technology is an important mechanism of ensuring the return of capital to the developed countries in order to complete the circle of capital reproduction”.

Also, Timamy (2007: 13) submits thus:

International inequalities, particularly those related to trade and technology transfer, were reflected in the magnitude of resource outflows from the South. As a matter of fact, these were mainly generated from royalty payments, transfer pricing, market control, restrictive business practices, monopolistic abuses, duty exceptions, capital repatriation allowances and favourable terms of trade for the North.

Hence, a nation such as Nigeria that does not control the technology for its major revenue source cannot hope to control its own development. This is because the contradiction of Nigeria‟s integration into the global capitalist system through the oil economy has “typically generated not wealth but the *outflow* of wealth (Bond, n.d).

Third, given the subordination of agriculture to oil, and the enclave nature of oil exploration (Watts, 2005), the oil economy made the Nigerian government to be unaccountable to the people as the state became dependent on oil-rents as against revenue for peasant agricultural production. This has serious implications for the use of state power, the nature of governance, rule of law, as well as quality of citizen welfare.

Similarly, the value of work as a basis for prosperity was also replaced with quick wealth syndrome with little or no complementary productivity. The state became the generator of instant wealth, with little premium for industry and productivity. This tendency prompts Naanen (1995: 53), to note that, “The principal concern of the most ambitious people was access to and control of the state; to work within the state and benefit from its elaborate system of patronage and corruption instead of working against”.

Fourth, oil exploration in Nigeria has been aptly described as a “national security sector” (Watts, 2005: 60). Because of the need to secure and guarantee uninterrupted oil flow and rent, authoritarianism became a preferred state strategy against the Nigerian people in general and the oil producing communities who are resisting the exploitative tendencies and environmentally unsustainable oil exploration practices of the multinational oil oligarchies in the Niger Delta. In this connection, so much resource is

wasted on security and defence to the neglect of the development of domestic capitalism.

The procurement of security equipment and expenditure under the “security vote” of the Executives which is not subject to public scrutiny/accountability has become a major means of PCA at the federal, state and local government levels. The heightened state of insecurity within oil communities, and the hostility between communities, the state and the oil companies have cost the nation billions of dollars in oil revenue, damage to infrastructure as well as decline in FDI.

Fifth, the centralisation of oil resources complicates the contradictions of dependent capitalism in Nigeria through increased importation of refined oil. At the economic level, the nation‟s taste for foreign products, which was the basis of the implementation of a failed Import-Substitution Industrialisation (ISI) policy, coupled with uncoordinated attempt at replicating capitalist development through an ill-digested modernization ideology made Nigeria externally dependent. The arbitrariness in importation of goods, coupled with the dependence of the nation‟s industries for major raw materials and technologies from abroad constitute serious financial drain on the economy.

Politica**l** y, Nigeria‟s crisis of capitalist development correlated with resource centralisation based on the logic of rentier economy of oil. Because of the need to capture the centre where oil money is domiciled, different groups, classes and factions of the Nigerian petty bourgeoisie struggle to control the state given its heuristic propensity for PCA. According to Naanen (1995: 52), “Structural and geographical

shifts in the centre of gravity of the national economy simultaneously promoted centripetal and centrifugal tendencies in Nigeria.”

Oil, Watts opines, “...served as the ground on which claims could be made for compensation and accountability, for resource control and self-determination, for human rights violations, and so on” (2005: 71). The Nigerian state in consequence has become an unending site of generating contradictions and unending crises.

Given the exploitative orientation, authoritarianism and neo-patrimonialism associated with the Nigerian oil political economy the claims of the subalterns are violently resisted by the Nigerian petty bourgeois leadership and their multinational oil partners. The result has been the crises of state-building and capitalist development.

With the oil economy, centralisation of state power gives those in control of the state direct access to the public purse. Furthermore, the problem of building Nigerian state has become compounded as a consequence of the crisis and contradictions associated with the oil political economy. While there were inherent crisis in the creation of the Nigerian state by colonial imperialism, the crisis in the Niger Delta, which is fallout of the crisis, contradictions and the mismanagement of the oil political economy for instance, has serious implications for capitalist development in Nigeria.

As argued by Idemudia and Ite (2006: 393), “the role of political factors in the Niger Delta conflicts is inextricably linked with the interplay of ethnicity, statehood formation, corruption and the contradictions inherent in „black gold”. These crises continue to fester because the desire for sustained PCA expressed as the sharing of

„national cake‟ pander to the dictates of foreign capital. Ribadu linked the Niger Delta

crises to corruption. He avers that, “In 2003-4, almost 100,000 barrels of oil was stolen daily; by 2005-6, we had managed to reduce this to 10,000 barrels per day‟‟ (Ribadu, 2009: 5).

A further point is that the hope placed on oil as a catalyst of capitalist development in Nigeria has not been realised. National poverty profile has increased while the forces of production remained highly undeveloped in spite of oil revenue. As Ross (2001: 8) argues, “Nigeria‟s disappointing record in reducing poverty is striking, given the size of the oil sector”.

According to Watts (2007:641), “Between 1970 and 2000 the number of people subsisting on less than $1 a day grew from 36 per cent to more than 70 per cent, from 19 mi**l** ion to a staggering 90 mi**l** ion”. In an elaboration of the resource curse thesis, the Niger Delta Human Development Report by the UNDP (2006:24) notes that, “Negative development trends are similarly associated with oil and mineral production in general. There is an inverse relationship between economic growth and natural resource abundance, and sustained poor performance on such social indicators as education and health. These outcomes have been dubbed the oil resource curse”.

The implication of oil-based accumulation for spatial inequality has increased over time. Oil-based capitalism in Nigeria engendered spatial inequalities between the urban and rural populations. With focus of developmental actions on the urban areas, the abode of the national elite, the rural areas where over 70 percent of Nigerians live are neglected and only benefits marginally from the oil political economy.

With the departure of the youth to the urban areas, mostly to a life of unemployment, despondency, frustration, crime, and the lack of transformation and improvement of the back-breaking farming techniques, coupled with the hijack of communal land with the introduction of oil induced capitalist agriculture, food productions drastically decreased, and national food import bills snowballed to the skies.

From N88 mi**l** ion in 1971, Nigeria‟s food import bi**l** rose to N1.86 billion in 1981 (Ihonvbere, 1994), signalling the advent of food crisis. Nigeria is far from extricating herself from this self-inflicted food crisis. As a consequence of the oil political economy, Nigeria import bill on agricultural products is far in excess of its income on agricultural exports (Pinto, 1987).

Another implication of oil-based accumulation is that it ensured the disarticulation and disorientation of the Nigerian political economy. The proliferation of gas stations, sometimes in violation of planning and safety regulations as well as trucking of oil from the depot to the gas stations spread across the nation are some of the mechanisms of engagement by the Nigerian elite in the oil business. Oil trucking for instance precluded the development of an integrated railways system in the country, as well as cause extensive damage to roads which are hardly repaired.

## Table: 4.5: Domestic Consumption of Petroleum Products (Metric Tonnes) 1977-2002

|  |  |  |
| --- | --- | --- |
| **Year** | **Petroleum Motor Spirit** | **Automotive Gas Oil** |
| 1977 | 1,861,618.0 | - |
| 1978 | 2,291,514.0 | - |
| 1979 | 2,515,789.0 | - |
| 1980 | 5,284,570.0 | - |
| 1981 | 6,573,007.0 | - |
| 1982 | 4,300,647.0 | - |
| 1983 | 4,244,798.0 | - |

|  |  |  |
| --- | --- | --- |
| 1984 | 4,012,041.0 | - |
| 1985 | 3,787,895.0 | - |
| 1986 | 3,597,356.0 | 626,217.0 |
| 1987 | 3,625,220.0 | 704,506.0 |
| 1988 | 3,103,079.0 | 867,235.0 |
| 1989 | 3,256,442.0 | 798,608.0 |
| 1990 | 3,302,808.0 | 808,725.0 |
| 1991 | 3,380,049.0 | 773,803.0 |
| 1992 | 3,969,275.9 | 750,786.6 |
| 1993 | 3,336,215.0 | 688,072.0 |
| 1994 | 3,015,634.0 | 670,846.0 |
| 1995 | 2,735,700.3 | 472,754.4 |
| 1996 | 3,454,327.5 | 715,386.8 |
| 1997 | 4,461,348.0 | 2,145,392.0 |
| 1998 | 2,792,112.0 | 1,150,462.0 |
| 1999 | 4,475,565.0 | 1,700,089.0 |
| 2000 | 4,752,568.0 | 2,093,866.0 |
| 2001 | 5,397,577.4 | 2,179,226.4 |
| 2002 | 6,556,675.5 | 2,275,129.8 |

Source: Department of Petroleum Resources, Lagos, cited in Central Bank of Nigeria (2006:162), *Statistical Bulletin*, Vol. 17. Lagos: CBN.

Nigeria has petroleum pipeline covering over 5,000 km, 22 depots, as well as a rail system that is cheaper compared to road transportation which are not used maximally. Given the high domestic consumption of petroleum products as shown on Table 4.5, Nigeria is losing substantial revenue in the road distribution of petroleum products nationally because of the need to ensure the PCA by private interests. The need for PCA by members of the indigenous ruling class in the haulage business has ensured that road transport is the preferred mode of the transportation of petroleum products across

Nigeria.

The preference of road transportation for human and cargo is due to the underdevelopment of alternative means of transportation like rail and waterways. Not only has the railway has become worst than it was left by the colonial authority on 1st October, 1960. Abba et al (1985:111-112) provided evidence linking many leading state officials and bureaucrats with multinationals and other businesses with vested interest in road construction, import and sale of road vehicles.

The overlapping interests between bureaucrats, politicians and private businesses served as a major hindrance to the viability of the Nigerian railways, as the comprador and petty bourgeois elements in-charge of the Nigerian state ensured the compromise of the interest of the nation in favour of private vested interests in the haulage business. Abba, et. al (1985), gave a good example of such conflict of interests and the compromise of national interests in preference for the PCA by people charged with the management of the Nigerian Railways Corporation (NRC).

Dr. O. Ikejiani, Abba, el at (1985) note, was the Chairman of the NRC between September 1961 and May 1965, while Mr. J. C. Egbuna, was the Corporation‟s General Manager between January 1963 and 1965. The men were at the same time Directors in United Transport Contractors (Nigeria) Ltd., a company owned by British business interest involved in the transportation of cement from Lagos to Kanji Dam in competition with the NRC.

According to Abba, et al. (1985:106):

They [Dr. Ikejiani and Mr. Egbuna] held this position and profited from it in their private capacity, and Dr. Ikejiani even told a meeting of the Board of Directors of the Nigerian Railway Corporation held on the 18 – 23rd February 1965 that „I have every right to be a director of any company even that which is in competition with the corporation‟.

With this kind of management of the NRC it is little surprise that the NRC land at Apapa was leased to its business competitor, A. G. Leventis for use as assembly plant for Lorries, buses, tippers and tankers, to rival the NRC in the nation‟s haulage business (Abba, et al., 1985:106).

As a result of the overwhelming powers and vested interest of members of the Nigerian accumulating classes in transportation, cars, lorries, and trailers assembling and road construction business the “principle of competitive advantage” in terms of lowest possible cost as a determinant of transportation mode as stated in Nigeria‟s Transportation Policy and detailed in the Sessional Paper No. 1 of 1965 was changed by the President Shehu Shagari‟s administration in the Fourth National Development Plan, to that of “fair competition” (Abba, et al, 1985: 109).

This explains the preference of the Shagari government for the use of road transportation at a cost of N64 per tonne as against the railway cost of N16 per tonne from Apapa – Kaduna for the distribution of the fertilizers for the administration‟s Green Revolution Programme. This same condition has since been applied to the oil haulage given the advantage it confers on the domestic accumulating classes in Nigeria. The preference for sub-contracting is as a result of the advatange it confers on accumulation by factions of the dominant classes who are into road construction and transportation businesses (Onuoha, 1988).

Outright looting and stealing of oil revenue by state officials is a common feature as a strategy of oil-based accumulation. PCA in the Nigerian state has heightened as a consequence of the nation‟s oil wealth. In 1978, N2.8 bi**l** ion oil money was reportedly missing from the NNPC. To unravel this, the Justice Ayo Irikefe Judicial Panel was set-

up by President Shehu Shagari. Though the Panel curiously and to the chagrin of Nigerians returned a verdict that no oil money was missing, the panel made some important discovery which is largely at the root of PCA in the Nigerian oil sector.

According to the Panel‟s report no proper accounts of Nigeria‟s crude oil transaction were kept, hence the lack of transparency in business transactions in the oil industry. The Justice Irekefe Panel also found out that oil inspectors expected to monitor the activities of the oil multinationals were compromised. Added to this was the manifest technical incompetence of the Nigerians oil inspectors compared to the foreigners they were supposed to inspect (Ayeni, 1996). Additionally, Ola Vincent, one time Governor of the CBN stated that Nigeria had no knowledge of the amount of oil sold, the total production figures and the customers (Yagboyaju, 2004). This situation has remained the same.

Another stratagem of oil-based accumulation in Nigeria is the indiscriminate but selective allocation of oil wells and licences to members of the domestic accumulating class despite the fact that they do not have the requisite technology for oil exploration. This practice which became very popular during the Generals Ibrahim Babangida and Sanni Abacha administrations reached its zenith during the last months of the President Olusegun Obasanjo administration.

Oil is a mechanism of crony capitalism and primitive accumulation in the hands of the Nigerian petty bourgeois class. As a result of oil, Nigeria moved from a highly productive economy in the 1950s and 1960s to a consumerist and import dependent economy from the 1970s. Rather than use the money from oil for productive investment, the Nigerian dominant class were involved in conspicuous consumption of

foreign goods. Nigeria imported all manner of products from the industrial capitalist countries resulting in export of capital that would have been used for domestic capitalist development.

The insatiable appetite of the Nigerian petty bourgeoisie for foreign products led to the transformation of the nation into a “cargo economy”, resulting in huge financial drain on the economy. In the mid-70s, ships waited for months acquiring demurrage in the chaotic Nigerian Ports. Different forms of loans contracted with foreign financial institutions financed most of these imports into Nigeria. The national debt that became a serious albatross on the economic health of Nigeria all-through the 1980s to the early part of 2000s was acquired in this manner.

With the massive import of many commodities into Nigeria, some domestic industries started to experience steady mortality. As Falola and Ihonvbere (1985:98) note, “A process of de-industrialisation gradually set in as emphasis shifted from production to importation of all importables. By 1983, every 80k out of N1 of federal government revenue was spent on imports”. As noted earlier, this later became the basis of a serious debt-overhang and debt servicing which served as a monumental platform of primitive capital accumulation and capital flight.

The willingness to give loans to Nigeria at that time by international moneylenders was due to the nation‟s oil wealth. Foreign loans rose by about 156 per cent between 1974 and 1979, and by 280 per cent between 1979 and 1981 (Nnoli, 1991). These loans were utilized on white elephant projects, while the bulk went into private pockets of well- connected Nigerians and their foreign principals. In addition to the foregoing mechanism of oil-based accumulation was the illegal sale of Nigerian oil by members

of the domestic ruling classes in alliance with foreign partners in what is known as bunkering.

## Oil Bunkering as Primitive Capital Accumulation

The production, distribution and sale of oil have been exploited by the Nigerian state, privileged members of the Nigerian dominant class through the control and access to the state and foreign capitalists through the use of technology of oil exploration. As a result of the low value added but high accumulation through oil, especially through oil bunkering, the oil business has been very attractive to members of the domestic elite. This is particularly so at the level of oil sale.

Bunkering according to Onuoha (1988: 192) refers “To a special contracted sale of petroleum product between an agent or dealer and an oil official which the agent resells to consumers who require the product for long journey mostly sea voyage”. This makes oil bunkering a legal and common practice. However, in the context of the anti- bunkering exercise during the General Muhammadu Buhari administration under which the term gained currency, bunkering is the “i**l** egal sale of petroleum product by sea with or without collaboration with NNPC officials or the oil majors” (Onuoha, 1988: 192).

Illegal oil bunkering deals with the sale of oil on the international spot market rather than to sea going vessels for which the oil was obtained. It was for this reason that the Buhari administration promulgated Decree No. 20 of 1984. The opportunity illegal oil- bunkering provided for oil-based PCA was partly at the root of the proliferation of fuel/gas stations in Nigeria, especia**l** y close to Nigeria‟s borders. As Onuoha (1988:

192) further argues: “Most of those who made the super-profit, accumulated their surplus value from „official‟ but undercover supply of petroleum products”.

There are three modalities for bunkering in Nigeria (Onuoha, 1988). The first entails the “under-cover supply of petroleum product to filling stations by agents of the state (NNPC officials) at the oil depot”. No money however goes into the government‟s coffers from this transaction. Rather, the proceeds of these transactions are shared between the owner of the sale outlets, the NNPC officials and other security agents at the depots who were in the know of the illegal transactions.

The second modality of bunkering is the sale of refined petroleum oil not to sea going vessels that required oil before getting to their next port of call, but to Ocean Petroleum Tankers who would in turn sell the oil on the international spot market. The Nigerians involved in this illegal accumulation in collaboration with their foreign collaborators reaped more money in foreign currencies through the illegal sale of Nigerian oil (Onuoha, 1988).

Another form of bunkering is illegal bunkering of oil in Nigeria for sale on the international market without anything going to the coffers of the state. This type of bunkering is a collaborative activity between the Nigerian capitalist as represented by the independent marketers, Nigerians in the management cadre of oil multinational companies who make available the private jetties of their companies for bunkering, comprador capitalists represented by NNPC officials, top brass of the military and senior bureaucrats in control of the instrumentality of the state.

Since bunkering for ocean-going vessels is legal, most of those involved were licensed. The illegality is where the product is not for use by the vessels, but sold on the international spot market. The alliance between these collaborators is such that while the petty bourgeois capitalists provide the licence to bunker oil, the Nigerian managers working with the oil multinationals facilitate the ocean delivery of the oil through their companies‟ jetties. With the comprador capitalists in the NNPC, military and bureaucracy use state power to secure and renew licenses as well as protect the bunkerers (Onuoha, 1988). These schemes provide enormous oil-based accumulation through illegal means.

The Niger Delta conflict some have argued, has been aggravated by the oil bunkering business going on in the creeks. The Niger Delta youth were first armed and engaged as protectors of oil bunkerers and political thugs, and latter with income from bunkering activities and unemployment after election duties for politicians these youth set-up their militant groups for oil bunkering activities (Watts, 2007, 2008a,b,c,d,e; Guichaoua,n.d; Langer & Ukiwo, 2009). According to Watts (2008e:28):

Perhaps there is no better metaphor for this oil-fueled venality than the stuning fact that huge quantities of oil are simply stolen every day. Over the last five years between 100,000 and 300,000 barrels of oil have been stolen daily (perhaps 10 to 15 percent of national output), oranized by a syndicate of „bunkerers‟ linking low-level youth operatives and thugs in the creeks to the highest levels of the Nigerian military and political classes and the oil companies themselves.

Oil-based PCA through bunkering activities has transformed the Niger Delta conflict from genuine agitation for justice to criminality and platform for PCA (Collier, 2007; Duquet, 2009; Watts, 2007, 2008a,). The state security agents in the Niger Delta have been found to be equally engaged in oil bunkering. This is often the root of the

confrontation between the Joint Task Force (JTF) and the youth militants in the Niger Delta.

According to Agbo (2009), the militants, the JTF and some state governors are beneficiaries of the Niger Delta conflicts. The Niger Delta conflict provides the basis for accumulation to the governors of some Niger Delta states under the cover of providing security especially in the context of increased militancy in the region. The security vote in Nigeria is at the discretion of the state executives and is excluded from legislative and public oversight, and consequently lacks transparency. The JTF, according to Agbo (2009), was alleged to have collected N10 million monthly from each of the Niger Delta states for „security‟ purpose.

Both the state governors and the militants capitalised on this opportunity for PCA. As Agbo (2009:27) notes, “One governor also floated a special package for the militants, where each militant camp was paid N10million upkeep monthly. At the commencement of the programme, there were 15 camps, but the largesse soon inspired more militants to open more camps and the government has to contend with over 30 camps”.

The enormity of primitive accumulation occasioned by oil bunkering is better imagined. In a statement by Tam David-West, a former Minister of Petroleum, Nigeria lost an average of $ 1,000,000 daily to bunkering in February 1984 (cited in Onuoha, 1988:209).

Touting provided another strategy of bunkering and oil based PCA. Touts are those who deal with oil without being licensed to do so. Most of these touts do not even have outlets to market or sell the oil. What they capitalise on is their positions within the state

either as bureaucrats, senior military officers, NNPC officials, senior staff of the Directorate of Petroleum Resources (DPR), and so on. Added to this group are politicians, retired military officers, wives, mistresses and girl-friends of important state functionaries, families, business associates and fronts of top officials of the Nigerian state (Onuoha, 1988).

These people were granted licenses to lift petroleum products from the oil depots. Because of their activities and coupled with the redtapism and bureaucratic bottlenecks associated with oil allocation a ready market for the sale of the oil licenses at mouth- watering rates exist. In this way, the oil touts amass so much wealth without productivity. The peak of this type of oil-based accumulation was during the President Ibrahim Babangida administration when oil was used to bribe and coopt antagonists of the regime as well as retain the loyalty of supporters.

Furthermore, in the last two decades, the domestic refineries have been grounded due to corruption and the failure to do Turn-Around Maintenance (TAM) as and when due. Even when monies were provided for such TAM, rather than use the money for the maintenance of those refineries, the importation of finished refined petroleum products has been encouraged by the managers of the Nigerian state given the monumental primitive capital that accrued to the members of the comprador and petty bourgeois class and their foreign collaborators as a consequence of oil importation.

The perennial crisis and social dislocation, a consequence of petroleum scarcity have not induced change over the years. The cost of production is consequently higher in Nigeria than the neighbouring countries. It is indeed being used as a basis for the

deregulation of the downstream sector of the oil industry in order to promote unhindered importation of refined petroleum products.

The subsequent importation of refined petroleum products worth over $2 million 1986 and $5 million in 1987 provided monumental opportunities for PCA under General Babangida. The import bill for refined petroleum products attained $200 million by 2007. The massive accumulation through oil importation and non-functioning of domestic refineries has been perpetuated by all the administrations since the Babangida administration.

Despite his promise to put an end to fuel importation and repair the nation‟s refineries, former President Olusegun Obasanjo‟s eight years rule was never close to achieving this solemn promise to Nigerians. Paradoxically, after the expenditure of $ 700 million on the TAM of the Port Harcourt and Kaduna refineries, the two refineries were sold in the dying days of the administration to ventures owned by Alhaji Aliko Dangote and Mr. Femi Otedola; two known supporters and financiers of President Olusegun Obasanjo‟s political interest.

Arguing the financial support of Dangote and Otetola for Obasanjo politics, Lucas (2011) notes:

In return for their gesture, the businessmen were said to have benefited immensely from policies enuciated by the Obasanjo government, particularly in the manufacturing sector. Many Nigerians believed that Obasanjo sold the Kaduna an d Warri Refineries to Bluestar Consortium, A Company floated by Otedola and Dangote because they supported his re-election.

Moreover, Obasanjo in his bid to enlongate his tenure from the constitutionally stipulated two-terms to three-terms, contracts for oil importation were awarded over and

above what was required and the storage capacity available. In 2008, the President

Yar‟Adua administration spent over $370 mi**l** ion on subsidy for oil importation. The importers of the petroleum products were members of the domestic accumulating class and their foreign collaborators. They benefitted from the millions of dollars in subsidy on imported petroleum products.

These monies being accumulated by the foreign oil companies and independent marketers were more than required to make the nation‟s refineries functional and even build new ones. According to Bayo Olowosile, the Secretary General of PENGASSAN:

In fact, I make bold to say that billionaires were created overnight by the past administration of Olusegun Obasanjo. They daily benefited from lifting crude and importing premium motor spirit, PMS. They will do anything to ensure that the refineries never work” (cited in Majiriogirene, 2008).

The interest of members of the Nigerian ruling class in oil, both within and outside the country has been identified as reason for the continued import of petroleum products. According to Majiriogirene, (2008:27), “There are a**l** egations that many Nigerians, including former governors and a former head of state, have refineries operating at full capacity utilization outside the country”.

Nigeria is now recreating the unequal exchange which privileged the export of primary commodities at cheap prices and the importation of these commodities as refined products at higher prices during colonialism. In the present instance, the imported petroleum products are mainly from countries such as the USA, Russia, United Kingdom and Netherland that buy crude oil from Nigeria. Nigeria is thus faced with a situation whereby because of desire for oil-based PCA by its ruling elite, Nigeria buys back her crude oil as refined petroleum products at exorbitant international prices, while her own refineries are idle and non-functional.

Due to the profitability of the importation of refined petroleum products, the liberalisation of the downstream sector of the petroleum industry has been stalled. Those that were given licences to build private refineries have refused to do so. The 200,000 bpd of crude oil allocated to private refineries for use is being sold on the international market rather than domestically refined as intended. The sale of the crude oil has become a means of PCA thus reducing the allure to build the private refineries for which the promoters were licensed.

Additionally, the Nigerian state harvested monumental revenue from oil rents. As a result, the nation has embarked on a number of actions and policies perceived as capable of engendering capitalist development. It is the analysis of some of these policies by the Nigerian state to engender capitalist development that we shall now focus our attention.

## Import Substitution Industrialisation (ISI)

Import-Substitution Industrialisation (ISI) as a strategy for capitalist development in Nigeria started in the 1950s (Onimode, 1982). However, from the mid-1960s, ISI became firmly rooted due to the mega-billion dollars realised from oil activities. The logic of ISI in Nigeria, as in other Third World nations, was the need to engender capitalist development in the domestic economy through the introduction of capitalist social relations of production based on the local production of imported goods.

Foremost amongst the assumptions that informed the strategy was the belief that ISI would facilitate the transfer of technology from the advanced capitalist nations to Nigeria. As a consequence of this, foreign exchange leakages from the Nigerian

economy were expected to experience drastic reduction with the domestic production of imported goods. This ultimately is expected to have multiplier effect on capitalist development.

With the ISI strategy, the state took upon itself the duty of filling the lacuna created by the absence of a formidable domestic capitalist class. However, ISI further heightened the integration of the Nigerian state into the international capitalist orbit with the unfettered access provided to foreign capital to invest in the economy, sometimes with the state in partnership with foreign capital. As a result, multinational capital occupied and consolidated their strategic hold on the Nigerian economy. Thus, ISI ensured the continued exploitation of Nigeria‟s national resources by imperialist capital (Onimode, 1982), especially given their monopolistic position in different sectors of the Nigerian economy and with the political backing of the state.

The calculations and expectations associated with the ISI underrated the power of transnational capital to protect its interests, and preserve its sources of accumulation through continued exploitation and unproductive accumulation. This informed the failure of the ISI as a basis of capitalist development in Nigeria. Some of the factors at the root of the failure of ISI in Nigeria are considered below.

First, the Multinational Corporations that were granted “infant industries” status under the ISI mostly abused their privileges. As Onimode (1982) observes, the ISI industries refused to grow, remaining “perpetual infants; which remain chronica**l** y non- competitive and clamouring for more protective pampering”. Not exposed to competition, the quality of products by the ISI were below international standards, while their prices were uncompetitive.

As a result, Nigerian products had difficulty in penetrating international markets. This encouraged the smuggling and importation of better quality substitutes by the Nigerian petty bourgeoisie viscerally hooked to quality foreign products. Consequently, despite the monumental investments by the state in ISI‟s, it left the imports dependence of Nigeria relatively unchanged. Nigeria continued to lose scarce foreign exchange to the importation of finished goods, raw materials and technology from the advanced capitalist countries. The capital repatraition as a consequence of ISI and its failure, continued to have serious and negative effects on the available stock of capital that could be used for capitalist development.

Second, ISI is a product of wrong diagnosis, in the sense that, it failed to grasp the fact that the problem of the Nigerian economy is structural rather than the mere issue of domestic production of imported goods. Furthermore, ISI deepened rather than ameliorate the structural dilemma of the Nigerian political economy through the continued entrenchment of country into the international capitalist system.

Furthermore, contrary to expectations the ISI failed to transfer technology to Nigerians. An unintended consequence was that ISI ensured the underdevelopment of factors of production in the Nigerian economy through the importation of raw materials, technical and managerial work force in form of expatriate quota. Fourth, through the repatriation of profits, dividends and salaries of expatriate workers, payments on patents, transfer invoicing, over-pricing of imported inputs, the promotion of taste and fashion for foreign products, and the importation of substandard products, the Nigerian economy experienced capital flight that would have otherwise been deployed for domestic capitalist development (Onimode, 1982).

Given its capital intensive nature, ISI complicated the unemployment crisis and crime situation in Nigeria. In addition, ISI for the same reason of being a capital-intensive production strategy also affected Nigeria‟s balance of payment crisis (Forrest, 1993). For instance, during the ISI era the manufacturing sector was the highest net consumer of foreign exchange. Because of the ISI, Nigeria‟s import bi**l** rose astronomica**l** y from N 1, 737 million in 1974 to N5, 140 million in 1976, hitting the N1billion mark three years later (Ihonvbere, 1994). The failure of the ISI was also exemplified by the progressive increase in oil as against non-oil exports by Nigeria from 1970 as shown in the Table 4:6 below.

## Table 4.6: Oil and Non-Oil Exports Component of Nigeria’s Foreign Trade

**(=N= Million)**

|  |  |  |  |
| --- | --- | --- | --- |
| Exports and Re-Exports | | | |
| Year | Oil | Non-Oil | Total |
| 1970 | 510.0 | 375.4 | 885.4 |
| 1971 | 953.0 | 340.4 | 1,293.4 |
| 1972 | 1,176.2 | 258.0 | 1,434.2 |
| 1973 | 1,893.5 | 384.9 | 2,278.4 |
| 1974 | 5,365.7 | 429.1 | 5,794.8 |
| 1975 | 4,563.1 | 362.4 | 4,925.5 |
| 1976 | 6,321.6 | 429.5 | 6,751.1 |
| 1977 | 7,072.8 | 557.9 | 7,630.7 |
| 1978 | 5,401.6 | 662.8 | 6,064.4 |
| 1979 | 10,166.8 | 670.0 | 10,836.8 |
| 1980 | 13,632.3 | 554.4 | 14,186.7 |
| 1981 | 10,680.5 | 342.8 | 11,023.3 |
| 1982 | 8,003.2 | 203.2 | 8,206.4 |

|  |  |  |  |
| --- | --- | --- | --- |
| 1983 | 7,201.2 | 301.3 | 7,502.5 |
| 1984 | 8,840.6 | 247.4 | 9,088.0 |
| 1985 | 11,223.7 | 497.1 | 11,720.8 |
| 1986 | 8,368.5 | 552.1 | 8,920.6 |
| 1987 | 28,208.6 | 2,152.0 | 30,360.6 |
| 1988 | 28,435.4 | 2,757.4 | 31,192.8 |
| 1989 | 55,016.8 | 2,954.4 | 57,971.2 |
| 1990 | 106,626.5 | 3,259.6 | 109,886.1 |
| 1991 | 116,858.1 | 4,677.3 | 121,535.4 |
| 1992 | 201,383.9 | 4,227.8 | 205,611.7 |
| 1993 | 213,778.8 | 4,991.3 | 218,770.1 |
| 1994 | 200,710.2 | 5,349.0 | 206,059.2 |
| 1995 | 927,565.3 | 23,096.1 | 950,661.4 |
| 1996 | 1,286,215.9 | 23,327.5 | 1,309,543.4 |
| 1997 | 1,212,499.4 | 29,163.3 | 1,214,662.7 |
| 1998 | 717,786.5 | 34,070.2 | 751,856.7 |
| 1999 | 1,169,476.9 | 19,492.9 | 1,188,969.8 |
| 2000 | 1,920,900.4 | 24,822.9 | 1,945,723.3 |
| 2001 | 1,839,945.3 | 28,008.6 | 1,867,953.9 |
| 2002 | 1,649,455.8 | 94,731.8 | 1,744,177.7 |
| 2003 1/ | 2,993,110.0 | 94,776.4 | 3,087,886.4 |
| 2004 1/ | 4,489,472.2 | 113,309.4 | 4,602,781.5 |
| 2005 1/ | 6,266,096.6 | 105,955.8 | 6,372,052.4 |
| 2006 2/ | 5,619,152.9 | 133,594.9 | 5,752,747.7 |

Source: National Bureau of Statistics/ Central Bank of Nigeria. Cited in Central Bank of Nigeria (2006:213), *Statistical Bulletin*, Vol.17. Lagos: CBN.

Notes:

1/ Revised. 2/Provisional

## Indigenisation Programme

One of the primary objectives of the Second National Development Plan was to ensure Nigerians were in control of the commanding heights of the economy through a combination of public control and increased participation of indigenous capital in those areas the state was not involved. Therefore, the Nigerian indigenisation programme sought to engender greater participation and control of indigenous capital in the Nigerian economy. To achieve this, the state used the programme to develop a crop of indigenous entrepreneurs with the capacity for capital accumulation that would act as catalysts for capitalist development in Nigeria.

The indigenisation programme demonstrated the co-efficiency in Nigeria between economic nationalism, private accumulation and expectations of capitalist development. Scholars such as Onimode (1982), argue that economic nationalism in Nigeria through the indigenisation programme was a strategy of building the material base of the different fractions of the bourgeoisie. The indigenisation programme encapsulated the crisis and contradictions between the Nigerian petty bourgeoisie in-charge of state power, and foreign capital in control of the economy despite their cooperation and collaboration in the joint exploitation of the state and people. Oil wealth was used by the petty bourgeoisie through the indigenisation programme to contest the dominance of foreign capital.

With indigenisation, the Nigerian petty bourgeoisie who accumulated oil-based capital during the Nigerian civil war used the opportunity offered by the indigenisation programme to invest part of the capital acquired during the civil war and by so doing transformed themselves into a „proper‟ bourgeoisie (Biersteker, 1983), by prevailing on

the Nigerian state to reorder the balance of power in the Nigerian economy between domestic and foreign capital.

The significance of the implementation of the indigenisation programme in relation to the promised return of the nation to civil rule by the General Yakubu Gowon government in 1974 has been largely ignored by scholars. In preparation for the return to civil rule, the members of the Nigerian political class needed to build their material base, rebuild and service patron-client networks, which a decade of military rule had virtually destroyed.

In some sense, indigenisation was a reflection of the struggle for accumulation as a basis for power amongst the Nigerian dominant class. The new control over the indigenised enterprises increased chances of accumulation and thus made them better positioned for the struggle for power in the context of the promised return to civil rule by General Yakubu Gowon. In this wise, indigenisation had little to do with a shift in the balance between foreign capital and domestic capital.

In the above context, the indigenisation programme, which started on the heels of the Nigerian civil war, was in a way a spoil of war for the victorious Northern and Western factions of the Nigerian comprador and petty bourgeoisie. All through the indigenisation programme, the Eastern factions of the Nigerian petty bourgeoisie were still smarting from the pains of their military and psychological defeat in the civil war.

Through military bombardment, looting, destruction of capital investments, abandonment and takeover of Igbo property mostly in Lagos and Port-Harcourt, the Igbo elite suffered unquantifiable loss as a consequence of the civil war. The loss of

capital and property by the Igbo petty bourgeoisie in the civil war reduced their capacity to partake of the indigenisation programme. Thus, the comprador and petty bourgeoisie of Hausa and Yoruba extractions were able to accumulate more capital through state mediated accommodation with foreign capital to the exclusion of their Igbo compatriots.

## The Structure of the Nigerian Indigenisation Programme

The Nigerian Indigenisation Programme got legal backing in The Nigerian Enterprises Promotion (NEP) Decree 4 (1972), which became operative on 1st April, 1974. The NEP Decree of 1972 had five sections:

* + 1. Twenty-two small-scale businesses (such as, bread and cake making, candle manufacturing, laundry and dry-cleaning) listed in Schedule I was reserved exclusively for Nigerians.
    2. Thirty-three enterprises listed in Schedule II in which forty percent Nigerian participation were required, provided their paid-up capital exceeded N400,000, or their turn-over exceeded N1,000,000.
    3. Those not in either of the above two Schedules, which needed advanced technology, hence the allowance of hundred percent foreign capital in their operation.
    4. Fifty-five per cent equity participation in petroleum production and sixty per cent in petroleum distribution by the Nigerian state respectively.
    5. Establishment of National Insurance Corporation, (NICON), with Nigerians also acquiring forty-nine per cent equity shares in all foreign-owned insurance businesses in Nigeria.

The Indigenisation programme of 1972 was not successful. The exercise suffered serious abuses in the hands of the domestic bourgeoisie who championed it, the implementing bureaucrats charged with the task of overseeing it, and not the least, foreign capital against who it was conceived. The report by the Industrial Enterprises Panel set up to review the Indigenisation Programme submitted that in its conception and implementation the programme was a failure.

The failure necessitated the promulgation of the Nigerian Enterprises Promotion Decree 1977 (Decree No. 3) which was retroactively backdated to June 29, 1976, by the General Murtala Mohammed/ General Olusegun Obasanjo administration to take care of the identified problems with the previous indigenisation programme. The new decree made some changes in the structure of the previous indigenisation decree. These changes were to correct some of the abuses associated with the 1972 Indigenisation Programme and secure more economic acccess for the Nigerian petty bourgeoisie in the Nigerian economy.

The new Indigenisation Decree was classified into three sections, namely:

**Schedule I:** This contained forty businesses that were solely within the competence of Nigerians and reserved exclusively for Nigerians. However, some of these businesses before this time were under the control of Nigerians.

**Schedule II:** There were fifty-seven enterprises under this schedule with sixty per cent Nigerian equity participation.

**Schedule III:** Had thirty-nine enterprises in which Nigerian equity participation was forty per cent.

A noticeable adjustment in the new Indigenisation Decree was the upward movement of the Federal Government stake in both the insurance and banking businesses from forty- nine per cent to sixty per cent.

## The Nigerian Indigenisation Programme (1972 and 1977): A Critique

First, the Nigerian petty bourgeois class who through the Nigerian Association of Chambers of Commerce Mines and Industry (NACCIMA) mounted sustained pressure on the military leadership to ensure its members‟ take-over of the commanding height of the economy actively collaborated with imperialist capital to subvert the objectives of the Indigenisation Decrees by fronting for imperialist capital.

Second, in its conception and implementation, the decrees were more oriented towards increased participation of Nigerian indigenous capital in the domestic economy rather than secure control over the Nigerian economy as well as promote the development of indigenous forces of production (Ake, 1985a; Biersterker, 1983).

Indigenisation ensured that indigenous capital was limited to participation in areas requiring little or no technological inputs such as commercial and trading activities. With indigenisation, the relations between the indigenous bourgeoisie and foreign capital was smoothened and concretised, while the capitalist underdevelopment of Nigeria was aggravated. This resonates with the state-capital model in which the interest of capital takes precedence over those of the Nigerian state and people. Foreign capital became “official partners‟‟ to the state in the exploitation and underdevelopment of Nigeria (Beckman, 1982).

Third, indigenisation complicated the crisis of autonomy of the Nigerian state (Ake, 1985a). By entering into partnership with foreign capital under conditions favourable to imperialist capitalist interests and funding the shares acquisition in foreign companies by members of the dominant class through the Nigerian National Development Bank (NNDB), Nigerian Bank of Commerce and Industry (NBCI) and the Nigerian Agricultural Development Bank (NADB), the state compromized its autonomy in the struggles amongst the different social classes and constrained her ability to mediate, regulate, and control the rapacious activities and accumulation of domestic and foreign capital. The comprador and petty bourgeois members of the Nigerian dominant class profited tremendously from this state-assisted accumulation (see tables 4:7 and 4:8)

## Table: 4.7

**Some Major Beneficiaries of the Nigerian Indigenisation Programme in Selected Manufacturing Companies, 1974 and 1983**

**1974 1983**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S/N | Director/Major  Shareholder | No. Of Companies  owned | Total Share Capital of  selected companies owned (N) | No. Of  compani es owned | Total Share Capital of selected  companies owned (N) |
|  | **Group A** |  | | | |
| 1 | G.O. Onosode | 1 | 52,000 | 11 | 121,720,000 s.c. n.a |
| 2 | Alh. I.M. Dacida | 2 | 1,159,500 | 8 | 38,100,000 s.c. of 1 n.a |
| 3 | A.A. Ayida | None | [Not] Indicated | 6 | 58,741,500 |
| 4 | S. Ade John | None | [Not] Indicated | 6 | 104, 709,000 s.c. of 1 n.a |
| 5 | Chief Jerome Udoji | 3 | 377, 888 | 5 | 60,700,000 s.c. of 1 n.a. |
| 6 | Alh. A. Liman Ciroma | 2 | 385,800 | 5 | 51,778,000 s.c. of 1 n.a. |
| 7 | P. C. Asiodu | 2 | 276,500 | 4 | 23,000,000 |
| 8 | Alh. I. B. Jose | None | [Not] Indicated | 4 | 13,200,000 s.c. of 2 n.a. |
| 9 | Graham Douglas | 3 | 1,264,168 | 3 | 5,000,000 |
| 10 | Chief F. R. A. Williams | 7 | 2,060,300 | 10 | 44,852,000 s.c. of 2 n.a. |
| 11 | Fred Egbe | 4 | 500,000 | 7 | 7,500,000 s.c. of 4 n.a |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 12 | Mamman Daura | None | [Not] Indicated | 3 | 43,800,000 |
| 13 | His Royal Highness Ado  Bayero (Emir of Kano | 5 | 1,502,931 | 5 | 37,500,000 s.c. of 3 n.a. |
| 14 | His Highness Alh. Shehu  Idris | None | [Not] Indicated | 2 | 297,000,000 s.c. of 1 n.a. |
| 15 | Oba Erediauwa, Oba of  Benin | None | [Not] Indicated | 1 | 8,000,000 |
| 16 | Alh. Abali Muhammadu  (Emir of Fika) | None | [Not] Indicated | 1 | 10,000,000 |
| 17 | A.O. Ofala Okagbue  (Obi of Onitsha) | 1 | 139,800 | 1 | 34,800,000 |
| 18 | Tunji Braithwaite | 3 | 149,332 | 4 | 1,646,000 s.c. of 2 companies |
| 19 | P. N. Okigbo | None | [Not] Indicated | 1 | 35,500,000 |
| 20 | S.O. Asabia | None | [Not] Indicated | 1 | 141,776,000 |
| 21 | Michael Ani | None | [Not] Indicated | 1 | 25,000,000 |
| 22 | Lt. Gen. T. Y. Danjuma  (rtd.) | None | [Not] Indicated | 2 | 25,000,000 |
| 23 | Brig. E. E. Ikwe (rtd.) | 1 | 8,000 | 2 | 2,500,000 |
| 24 | Major Gen. D. A. Ejoor  (rtd.) | None | [Not] Indicated | 1 | 800,000 |
| 25 | Gen. Olu Bajowa (rtd.) | None | [Not] Indicated | 1 | 400,000 |
| 26 | Major gen. I. M. B.  Haruna (rtd.) | None | [Not] Indicated | 1 | 34,800,000 |
| 27 | Major Gen. J. J. Oluleye  (rtd.) | None | [Not] Indicated | 1 | 40,000,000 |
| 28 | Major Gen. R. A.  Adebayo (rtd.) | None | [Not] Indicated | 1 | 2,940,000 |
| 29 | Major Gen. M. Adamu  (rtd.) | None | [Not] Indicated | 1 | 4,500,000 |
| 30 | Vice Admiral J. E.  Akinwale Wey | None | [Not] Indicated | 1 | 4,500,000 |
| 31 | Alh. Chief I. A. S.  Adewale | 1 | 135,000 | 6 | 17,060,000 |
|  |  |  |  |  |  |
| 32 | Lt. Col. A. A. Keshi | None | [Not] Indicated | 1 | S.C. of none quoted |
|  | **Group B** |  |  |  |  |
| 1. | The Dantata Group (Alh.  A. S.; Alh. U. S., M) | n7 | 1,851,620 | 13 | 89,691,500 s.c of 4 coys n.a |
| 2 | The Aboderin (Chief  Olu, Chief M. A) | None | [Not] Indicated | 12 | 5,006,000 s.c of 3 coys n.a. |
| 3 | S. Dankoro | 3 | 457,734 | 11 | 21,615,667 s.c. of 1 company |
| 4 | David Dankoro | 1 | 252,000 | 3 | 19,000,000 |
| 5 | The Ibru (Michael &  Alex) | 6 | 243,400 | 10 | 5,955 s.c. of 4 coysn.a. n.a |
| 6 | Henry Stephens | None | [Not] Indicated | 10 | S.C. of None quoted. |
| 7 | Chief M. N. Ugochukwu | 3 | 527,500 | 8 | 48,358,000 |
| 8 | Alh. Isyaku Rabiu | None | [Not] Indicated | 7 | 1,730,000 s.c. of 3 coys n.a. |
| 9 | Chief C. O. Ogunbanjo | 10 | 2,407,447 | 9 | 34,115,000 |
| 10 | Chief Adekunle Ojora | 4 | 1,847,500 | 10 | 60,164,993 |
| 11 | M. S. Nanono | None | [Not] Indicated | 6 | 17,911,000 |
| 12 | Chief G. K. J. Amachree | 3 | 299,400 | 6 | 8,750,000 s.c. of 1co. n.a. |
| 13 | Alh. Chief S. A. Adebiyi | None | [Not] Indicated | 3 | 20,000,000 |
| 14 | Sir Mobolaji Bank-  Anthony | 9 | 1,471,296 | 4 | 16,475,000 s.c. of 1 co. n.a. |

Source: Onuoha, O. B. (1988), “Indigenisation in Nigeria 1972-1983 Resources and Income Redistribution”, Unpublished Ph.D Thesis, University of Lagos, Lagos.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 15 | Chief J. Akin George | 1 | 164,000 | 4 | 1,945,000 s.c. of 3 coys n.a. |
| 16 | Alh. B. Danbappa | 2 | 433,400 | 4 | 24,000,000 s.c. of 2 coys n.a. |
| 17 | Alh. A. R. O. Sanusi | None | [Not] Indicated | 4 | S. .of None quoted, each over 1,00 |
| 18 | Chief Adeola Odutola | None | [Not] Indicated | 3 | 2,000,000 s.c. of 1 co.n.a. |
| 19 | Chief Emmanuel  Oyedele Ashamu | 3 | 525,540 | 3 | 11,300,000 |
| 20 | Akintola Williams | 5 | 1,701,300 | 3 | 19,960,000 |
| 21 | Chief J. B. Mandilas | 2 | 3,840,906 | 3 | 24,000,000 s.c. of 2 coys n.a. |
| 22 | A.C. I. Mbanefo (Esq) | None | [Not] Indicated | 3 | 302,000,000 s.c. of 1 co. n.a. |
| 23 | N. O. George Taylor | None | [Not] Indicated | 3 | 2,000,000 s.c. of 1 co. n.a. |
| 24 | Chief E. O. A. Shonekan | None | [Not] Indicated | 3 | 297,000,000 s.c. of 1 co. n.a. |
| 25 | Alh. Inuwa Wada | 3 | 699,330 | 3 | 2,400,000 s.c. of 1 co. n.a. |
| 26 | J. A. Cole | 4 | 1,605,798 | 3 | 7,000,000 |
| 27 | Dr. M.O. Omolayole | None | [Not] Indicated | 3 | 36,125,000 |
| 28 | H. S. A. Adedeji | None | [Not] Indicated | 3 | 49,022,000 |
| 29 | Alh. Baba Abubakar | None | [Not] Indicated | 3 | 3,500,000 s. c of 1 co. n.a. |
| 30 | Chief L. O. Akindele | None | [Not] Indicated | 3 | 12,850,000 |
| 31 | Chief O. I. Akinkugbe | None | [Not] Indicated | 3 | 85,500,000 |
| 32 | Alh. Usman Nagogo | None | [Not] Indicated | 3 | 15,000,000 |
| 33 | Alh. Sule Katagun | None | [Not] Indicated | 6 | 28,400,000 s.c. of 1 co. n.a. |
| 34 | Adebowale Group | 4 | 470,900 | 3 | S.C. of none quoted |
| 35 | M. K. O. Abiola | 2 | 176,833 | 2 | 1,033,333 s.c. of 1 co. n.a. |

Key: S.C. of Co - means share capital of company.

S.C. of 1 Co. means share capital of 1 company

S.C. of 2,3,4, coys means share capital of 2,3,4 companies.

## Table 4:8 Some Outstanding Former Agents of State Involved in Indigenisation as Accumulation 1972 -83

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Government Post Last Held | No. of Coys. | Share Capital (=N=) |
| Mr. S. Ade John | Permanent Secretary | 6 | 104,709,000 |
| Mr. P. C. Asiodu | Permanent Secretary | 4 | 23,000,000 |
| Sule Katogun | Chairman, Civil Service Commission | 6 | 28,400,000 |
| S. O. Ashabi | Deputy Governor, CBN | 1 | 141,776,000 |
| J. O. Afolabi | Permanent Secretary | 1 | 3,000,000 |
| Mr. A. A. Ayida | Permanent Secretary/Head of Service | 6 | 38,741,500 |

|  |  |  |  |
| --- | --- | --- | --- |
| Alh. I. M. Damcida | Permanent Secretary | 8 | 38,100,000 |
| C. O. Lawson | Head of Service Federal | 1 | 3,000,000 |
| Usman Nagogo | Asst. Secretary/Chief Personnel Officer  CBN | 1 | 8,000,000 |
| S. B. Akande | Permanent Secretary | 2 | 6,306,122 |
| Y. A. Gobir | Permanent Secretary | 1 | 1,000,000 |
| Emeka Ezeife | Permanent Secretary | 4 | n.a |
| V. I. Bello | Chairman/Enterprise Promotion Board | 24 | 1,196,530 |
| G.O. Onosode | Chairman/ Director/New Nigeria Bank | 10 | 121,720,000 |
| Chief J. Udoji | Head of Service /(Regional) | 5 | 60,700,000 |
| Alh. A. Liman Ciroma | Head of Service | 5 | 51,778,000 |
| Alh. I. B. Jose | Chairman, Daily Times of Nigeria | 4 | 13,200,000 |
| Mr. F.E. Ijewere | Chief of Banking Operations CBN | 6 | 50,000,000 |
| Mamma Daura | Managing Director /New Nigerian  Newspapers | 3 | 43,800,000 |
| Ahmed Joda | Permanent Secretary | 2 | 29,000,000 |

Source: Federal Staff List, August 1973; January 1976; October 1978 and December 1983; ICON Nigerian Company Handbook.

S. O. Asabi was later Chairman of the Capital Issues Commission which was deeply involved in the implementation of the indigenisation Decree. (Adapted from Onuoha (1988:393), “Indigenisation in Nigeria 1972-1983 Resources and Income Redistribution”, Unpublished Ph.D Thesis, University of Lagos, Lagos.

With the indigenisation programme, therefore, the members of the Nigerian dominant class succeeded in using state capital and power to wrestle some measure of participation and control over the Nigeria political economy from their imperialist partners as well as capture political power. By so doing, the dominant class achieved increased primitive and private capital accumulation in the Nigerian economy (Ake, 1985a).

The overall effect of the indigenisation programme was its utility for primitive and private accumulations as against capital accumulation. Ultimately, indigenisation failed as a mechanism for the capitalist development of the Nigerian political economy.

## Wealth to Debt: Bourgeois Economic Mismanagement and Political Misadventure

The state-capital model which favours PCA as against autocentric capital accumulation had debilitating economic implications for Nigeria, such that no sooner than Nigeria oil wealth than she reclined into economic crisis and debt. A number of reasons account for this.

First, despite oil wealth Nigeria continued to play a dependent and subordinate role in the international capitalist system. The oil capital that would have assisted in the capitalist development of the Nigerian economy was appropriated and exported abroad since the technology of oil is dominated by foreign capital and Nigeria continue to depend on it for oil exploration and exploitation.

Second, the ideology of development pursued by the Nigerian petty bourgeois leadership was antithetical to the goal of national economic liberation and domestic capitalist development (Ake, 1996a). Rather than seek to free the Nigerian economy from the stranglehold of foreign capital, the development ideology intensified the dependence of Nigeria.

Third, the fragmentation amongst the domestic bourgeoisie, the attendant political conflicts and instability, and the use of the state as a vehicle for PCA by the petty bourgeois national leadership combine to rob the state of the necessary forces and dynamics that are capable of engendering national economic transformation and capitalist development. In this context, politics and the struggle for power had primacy over the goal of capitalist development. With the state as a means of production, state power became visa to wealth. It also foreclosed the need for productivity (Ake, 1985a).

The new oil wealth made the Nigerian petty bourgeois political leaders ambitious for global recognition. The Nigerian petty bourgeois leadership invested oil money in glamourous ventures of actualizing Nigeria‟s claim to being the „giant‟ of Africa through a number of grandiose projects. The economic profligacy of the state reached its zenith with the payment of the salaries of civil servants in some African nations as well as the hosting of the Second All African Games and the cultural jamboree known as the Festival for Black Arts and African Civilization (FESTAC) in 1977, in Lagos.

As a consequence of the serious capital dehydration of the economy caused by the dominance of foreign capital and imperialist accumulation from the economy, the mismanagement of the state and increased use of the state as a mechanism for PCA by all the factions of the dominant class, the Nigerian economy transited from boom to crisis.

Thus, from the late 1970s under the General Olusegun Obasanjo government, all through the President Shehu Shagari civilian administration between 1979 and 1983, to the Military Presidency of General Ibrahim Babangida 1985-1993, Nigeria experienced excruciating economic crisis. Consequently, before the end of military rule in 1979, the General Obasanjo administration introduced the “low profile” policy. This policy had the goal of prioritising the programmes of the state, reduced government expenditure and curtailed the unsustainable foreign exchange profile and balance of payment crisis in Nigeria.

As part of the coping mechanism for the economic crisis, Obasanjo led the nation in procuring its first foreign debt in 1978. The civilian government of President Shehu Shagari that took over from the Obasanjo-led military government on 1st October, 1979 continued the “low profile” policy of its predecessor with the introduction of “austerity

measures”, but not without increasing the nation‟s debt stock and complicating the economic crisis through high-level corruption and maladministration. These additional foreign debts incurred by Shagari‟s administration was largely used to service the high taste of the dominant class as well as oil the wheel of the PCA which characterised Nigeria‟s Second Republic.

The crisis and contradictions of capitalist development was complicated by the failure of the Shagari administration to confront the structural basis of the Nigerian crisis which was the nation‟s dependent status in the international capitalist system, as we**l** as arbitrary governance and accumulation under the civilian dispensation. The threat this posed to the hegemony of the Nigerian petty bourgeoisie provided the justification for the return of the military under the leadership of General Muhammadu Buhari on 31st December, 1983. However, the new military administration as a result of internal class contradictions did not last long (Othman, 1984).

The short-lived administration of General Buhari preoccupied itself with the return of some measure of class sanity in the administration of the Nigerian state. First, the administration tried to instil discipline in the body polity and recovered looted state funds from civilian political leadership of the immediate past administration. Second the government embarked on programmatic and purposeful governance as well as sought financial accommodation with the International Monetary Fund (IMF). Third, the administration engaged in war of attrition with the Nigerian people; who it wrongly perceived as the source of socio-economic and political malaise. In all, the administration promoted what may be described as a hostage governance mentality.

Beyond authoritarianism, ethnicization and the religious colouration of power, the state was robbed of the required legitimacy necessary to articulate and pursue focused programmes and policies that could have helped to resolve the crisis and contradictions of dependent capitalism in Nigeria. In a way, the administration had little understanding of the problem of capitalist development in Nigeria, because it attributed citizens‟ indiscipline and not structural and fundamentally ingrained in the nature and character of the political economy.

The authoritarian rule of the General Buhari alienated his administration from the civil society, especially the mass media, academia, and labour, which became highly radicalized and waged struggles against the administration. Even, there was no love lost between the two key leaders of the administration and major stakeholders and influential members of the military. It was therefore no surprise to anyone that the Buhari administration got a taste of its own medicine with its overthrow in a palace coup led by the administration‟s Chief of Army Staff, Major General Ibrahim Babangida on 27th August, 1985.

The Babangida era opened a new chapter in the political economy of Nigeria as it instituted the neo-liberal model of accumulation with all its implications for the continued capitalist underdevelopment of the Nigerian state. Two dominant forces; the World Bank and the IMF at the international level, and different social classes at the national level exerted considerable pressure on the Babangida‟s government to deal decisively with the deepening crisis of capitalist underdevelopment in Nigeria (Jega, 2000).

The Babangida‟s administration reached accommodation with the IMF despite the popular rejection of the option in a government sponsored nation-wide debate. Though described as “home grown”, the Babangida administration implemented the IMF inspired Structural Adjustment Programme (SAP) with all its conditionalities however without the benefit of the IMF loan (Bangura, 1991; Beckman, 1982; Olukoshi, 1991a, 1991b).

The adoption of SAP signalled the failure of the Nigerian domestic ruling class to use oil as a basis for capitalist development of the country. Rather than promote economic independence of Nigeria from foreign capital, oil and the state-capital model of capital accumulation engendered the consolidation of economic dependency and maldevelopment.

## Conclusion

Oil wealth has promoted state capitalism with rapacious predilection for private accumulation through the dual mechanism of prebendal and patrimonial political exchanges. According to Caccia (1993: 82), “Not only does theft go on in the state apparatus, but the state is itself the main apparatus of theft. In Nigeria, not only do official steal, but stealing is official. It is the very principle of Nigerian class rule and subservience to the rest”.

This is possible as the state is not only a means of production in Nigeria, but also the instrument for mass exploitation and PCA by the dominant classes. In performing market functions to moderate the contradictions of neo-colonial political economy by acting as entrepreneur and dominating the commanding height of the domestic

economy, the state is itself a brutal exploiter of her subjects in the interest of private capital and for private accumulation (Ake, 1976).

As Zack-Williams and Alemika (1982) observe, the opportunity cost of corruption in a state like Nigeria is disproportionate to its benefits and has dysfunctional implication for capitalist development. Finally, the oil political economy has ensured that there is no viable private sector with the capacity to champion domestic capitalist development.

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## CHAPTER FIVE

* 1. **DATA PRESENTATION AND ANALYSIS II**

## REFORMS AND THE CONTRADICTIONS OF CAPITALIST DEVELOPMENT (1988-2009)

* 1. **Introduction**

The need for reform was entrusted to the Nigerian state by the malfeasance in the political, social and economic spheres exemplified by the dependent role of the nation in the international capitalist political economy which resulted in massive pillage, plunder and malgovernance. These conditions were aggravated by unfavourable conditions in the international capitalist system starting from the late 1970s.

The effect of the crisis of global capitalism which started manifesting in the late 1970s had by the mid-1980s assumed a threatening dimension for the economic well-being of most Third World nations. The negative impact of the crisis, which manifested in balance of payment crises, de-industrialisation, unemployment, underemployment, poverty, diseases, debt over-hang, and authoritarian political regimes, had veritable consequences for those economies. The leverage enjoyed by the Third World as a result of the ideological rivialries between the two super-powers disappeared following the ideological liquidation of the USSR by America in 1989. This effectively terminated the Cold War and heralded in a new unipolar international order with America‟s firm control.

Against the background of the new hegemony of American imperialism in the context

of the post-Cold War era, and the implication of the crisis of capitalism for transnational

imperialist accumulation and sustenance of global capitalism, both the World Bank (WB) and the International Monetary Fund (IMF) assumed unparalleled historical prominence as managers of the international capitalist system.

As Edigheji and Amuwo (2008:18) note:

In recent years, the conditionalities of the Bank have included the requirement that borrowing countries adopt western-style multi-party democracy as well as prescriptions for „good governance‟. In other words, the WB and IMF have tended to delegitimise or criminalise socialist and social welfare paths of development. Yet, only these appear capable of humanising the majority in developing countries who are currently eking out a living at the periphery of the global economy. Conditionalities also commonly include cuts in public welfare spending; a prescription that the state cannot own the means of production and distribution, nationalise privately owned business, or, for that matter, protect local industries.

International competitive bidding (ICB) as a means of allocating WB funds also constrains the choice of market(s) available to borrowing countries. It also opens them up to international capital. About 80 per cent of WB funds are allocated through ICB, and supervised by the Bank. Most of these bids are won by corporations in creditor countries. What this means is that through the ICB, the Bank opens the markets of borrowing countries …

Consequently, the economies of most Third World nations have come under increasing direction and control of these two global capitalist organisations in their attempts at resolving the international capitalist crisis of accumulation and enforcing global capitalist hegemony. In other words, the WB and IMF with their conditionalities delegitimised or criminalised socialist and social welfare paths of development.

In the context of the global capitalist crisis, the major challenges faced by the WB and IMF are: first, how to ensure the stability of the global capitalist system, thus ensuring the continued hegemony of the advanced capitalist nations, represented most especially by the United States of America (USA) on a global scale. Second was the institutionalisation of market regime under neo-liberalism as the preferred ideology of social organisation and production within and between nations.

The third task was to ensure the re-integration of the economies of the defunct socialist bloc as well as those of Third World nations into the global capitalist system to serve as

a mechanism of ideological control, exploitation and capital accumulation from these economies in the interest of transnational capitalism. Fourth, was the need to promote a synergy between the market and liberal democracy in the economic and political management of the state especially in countries that had hitherto embraced state capitalism and authoritarian politics in whatever form.

On the latter challenge, the belief is that democracy promotes transparency, accountability and the rule of law in the context of good governance. This prescription was in clear denial of the structural dilemmas associated with the subordinate and dependent role Third World nations play in the international capitalist system which frontally negates not only democracy but also capitalist development in these nations.

This ideological marriage and, reification of democracy and capitalist development received intellectual backing in the works of a number of scholars (Diamond; 1992, cited in Amuwo, 2009; Drury, Krieckhaus & Lusztig, 2006; Huntington, 1984; Moore, 1966; Olson, 1993). While Moore (1966:418, cited in Amuwo, 2009) maintains that “no bourgeoisie, no democracy”, Diamond (1992:27-28 cited in Amuwo, 2009), on his part contends that “promoting democracy...implies fostering market-oriented economies...only market-oriented economies provided the conditions for legitimating democracy”.

For Huntington (1984), the conditions of economic growth, equity, political stability, social justice and national independence, are all dependent on the condition of democracy within a state. To Olson (1993), democracy promotes development because it engenders peace, which attracts capital and makes for increased productivity. Drury, Krieckhaus and Lusztig (2006) on their part contend that economic prosperity is

concomitant with democracies while the opposite is true for authoritarian regimes. It is in this context that the reform package by the WB and the IMF, included an economic package as well as political conditionality, exemplified by the democratisation project.

However, these neo-liberal assumptions have been found to be empirically invalid in the Third World. The assumption that a combination of the market and liberal democracy would engender accumulation that would in turn rescue Third World nations from crisis as well as bring about capitalist development is faulty. Especially given that this assumption is without any attempt at rescuing these nations from the structural problems at the root of their backwardness.

According to Amuwo (2009:39-40), “... economic liberalism has proven to be a robustly anti-democratic project ...”. Amuwo further argues that the “credit contract” which forms the trust of the neo-liberalist project often impacted negatively on the “social contract” between governments and citizens in many African countries” (Amuwo, 2009: 40). The Nigerian Economic Transition Programme (ETP) and Political Transition Programme (PTP) bear testimony to this assertion.

## The History of Neo-liberal Reform in Nigeria

In Nigeria, the reform regime took off under the military president, General Ibrahim Badamasi Babangida in 1986. This reform finds expression in the ETP known as the Structural Adjustment Programme (SAP) and the PTP. The ETP and PTP had serious implications for the state, capital, nature of accumulation and capitalist development in Nigeria. First, while the two programmes were complementary (Biersteker & Lewis, 1997), they were implemented in a contradictory manner.

SAP was put in place as a policy thrust to ensure that the crisis of accumulation in Nigeria is corrected and bring about the elusive capitalist development. Paradoxically, SAP ensured the ease of primitive capital accumulation by the “newbreed” political class who depend on the state for unproductive PCA (Momoh & Adejumobi 1999). The political class and other members of the Nigerian petty comprador classes hijacked and perverted the adjustment programme and made it served particularistic interest.

Furthermore, the orientation of the PTP in Nigeria under President Ibrahim Babangida tilted towards authoritarianism in the disguised form of „guided democracy‟. This was diametrically opposed to the deregulation and liberalisation philosophy at the root of the ETP regime (Momoh & Adejumobi, 1999).

Given this contradictory orientations, the state played contrasting roles in the context of the ETP and PTP. While in the context of the ETP the state gave up most of its powers, the state engaged in the opposite with the PTP. In other words, the gains of liberalisation under the ETP were negated by the drive for regulation in the context of the PTP where two political parties were imposed by the government and the determination of who could take part in politics and hold public offices were the prerogative of the state. However, in both the ETP and the PTP, the state found a common ground as a mechanism for PCA in the service of private interest. We shall elaborate on this and how it was done presently.

## Neo-liberalism and the State in Nigeria

For Kraus (2003:396) “Neoliberal ideology considers that capitalist policies and accumulation strategies should become the dominant ones in society in order to

generate growth”. A major strategy of neo-liberalism was to delimit state power and reduce the power of public authorities in social provisioning and capitalist development. In order to achieve this, the failure of capitalist development in the Third World was put at the doorsteps of the state, seen as an incompetent agency for capital accumulation. In this way, the state was condemned as a fetters to capitalist development.

Historically, in Nigeria the state has been privatised and used for enhancing private accumulation by the different factions of the dominant classes and foreign capital. As Ake (2001: 14) notes, “... at one point the public is privatised and at another the private is publicised”. The separation between the state and the private sector on which the neo- liberal order is premised is thus largely superficial as the dividing line between the state and private capital is rather blurred. The state in Nigeria has failed as a mediating institution amongst contending classes. This lack of autonomy of the Nigerian state led to the privatisation of public authority even before the formal privatisation took place.

The separation of the public-private sectors as it concerns the Nigerian political economy is a theoretical absurdity which has no empirical validity. There is no viable private sector in Nigeria. Both foreign and domestic private capital relies on the state for survival. The „failure‟ of the public sector that was at the root of the privatisation and other neo-liberal programmes is a function of the „success‟ of the private sector that is currently being privileged as the engine of capitalist development in Nigeria.

It is only against the agenda set for the state that its success or failure could be fairly assessed. To this end, in historicising and theorising the Nigerian state, this chapter argues that the Nigerian state was constructed in negation of the possibilities of

promoting capitalist development. This in Marxist political economy is called the “blocked Capitalist thesis”. Blocked capitalism has colonial origins in Nigeria.

## Structural Adjustment Programme and Capitalist Development in Nigeria

The key theoretical assumption of the adjustment programme was that the economic crisis in the Third World is due to the inefficiency of the state as economic manager. Sandbrook (1993) contends that state capitalism under the control of a weak state, is predatory and patrimonial, and therefore cannot engender capitalist development.

Stein (1994:1834), similarly exposed the neo-liberal logic of SAP when he opines that, “the aim of Structural Adjustment in Africa (and elsewhere) is to remove the impediments caused by state interference in the operation of these markets”. It was therefore reasoned that the removal of the encumbrances by the state would promote the prospect of capitalist development. SAP was therefore the monetarist remedy (Adejumobi, 1997) to redress the supposed inadequacies associated with state management of Third World economies.

It was argued that in the long run, the gains of adjustment would trickle-down to all. As a result, the era of state economic nationalism which privileged protectionist economic policies, state capitalism and government subsidies of essential public goods were supplanted by trade and financial liberalisation, deregulation and privatisation. The overall logic was that self-regulating market has the potential of engendering capitalist development in Third World nations under economic crises.

To achieve the objectives of SAP a number of measures were imposed on adjusting nations so as to manage their balance of payment crises and achieve financial solvency.

The real objective however was to enhance the capacity of those nations undergoing SAP to service their external debts and meet their financial obligations to the nations of the West to whom they were indebted. In essence, SAP was not designed to free the nations of the Third World from their economic crisis, nor bring about capitalist development, but to ensure their continued dependency and exploitation by the advanced capitalist economies.

As Bangura and Gibbon (1992) argue, under SAP primitive accumulation gained primacy over capital accumulation, with the state bureaucracy in the Third World expanding its reach to appropriate the new vista and benefits obtainable from private accumulation. Thus, SAP like the various policies before it promoted an unproductive regime of capital accumulation in Africa with dim prospects for capitalist development.

## The Regime of Adjustment in Nigeria

SAP in Nigeria was preceded by a declaration of a state of economic emergency nationwide by General Ibrahim Babangida the nation‟s military president at the time. The economic emergency which came into force through the National Economic Emergency Decree of October 1985 was initially designed as a temporary adjustment policy measure. It was subsequently transformed into a permanent policy by General Babangida as the economic emergency period was extended beyond the July 1988 terminal date.

In his budget presentation for 1986, General Ibrahim Babangida formally introduced the reform package to Nigerians. In spite of the popular rejection of the IMF facilities the economic reform put in place contained the same market-based policies as canvassed by

the IMF. The objectives of adjustment in Nigeria according to the Central Bank of Nigeria (1986:10 cited in Olukoshi, 1991:71) were:

* + 1. Restructuring and diversification of the productive base of the economy in order to reduce dependence on the oil sector and on imports;
    2. The achievement of fiscal and balance of payments viability over the period of implementation;
    3. The creation of the basis for a sustainable non-inflationary growth; and
    4. The reduction of the dominance of unproductive investments in the public sector, the improvement of that sector‟s efficiency, and the enhancement of the growth potential of the private sector.

The components of the SAP were:

1. Strengthening of demand management policies;
2. Adoption of measures to stimulate domestic production and broaden the supply base of the economy;
3. Adoption of a realistic exchange rate policy through the establishment of a Second-tier Foreign Exchange Market (SFEM);
4. Rationalisation and restructuring of the tariff regime in order to aid the promotion of industrial diversification;
5. Progressive trade and payment liberalisation;
6. Reduction of complex administrative controls and fostering reliance on market forces;
7. Adoption of appropriate pricing policy for public enterprises; and
8. Rationalisation and commercialisation/privatisation of public sector enterprises

(CBN, 1986, cited in Olukoshi, 1991:71).

Thus SAP was a programme put up to address macro-economic crisis in the Nigerian economy. Those objectives of SAP were however pursued without due consideration for the structural and historical factors which underpinned the nation‟s economic crisis.

## SAP and the Regime of Banking and Financial Accumulation

The financial sector of a state is made up of all the institutions and activities that are involved in the mobilisation of savings which are later transmitted as investment in the productive sector of the state‟s economy. As Ojo (1992:2) notes, “the sector thus facilitates borrowing by the deficit economic units and saving by the surplus economic units through the intermediation of financial intermediaries”.

Ojo (1992:2) sub-divided the financial sector of a state into three, namely: banking, non-banking financial institutions (NBFI) and financial market. These sub-sectors of the financial sector are again segmented into money and capital markets, and the foreign exchange market. The banking sector however enjoys the pride of place.

The dominance of the banking sub-sector over the other sub-sectors in the financial market is not peculiar to Nigeria. The financial markets of most developing nations approximate the Nigerian condition (Ojo, 1992). The financial market and NBFI in Nigeria are latecomers whose advent was heralded by the indigenisation policy of 1972 and the financial liberalisation component of SAP respectively. The PCA under the adjustment programme in Nigeria gave the NBFI prominence. Historically, through the

banking and financial sectors in Nigeria especially through the mediation of the state, PCA is rooted in the indigenisation exercise.

Onuoha (1988) identifies three modalities of indigenisation in the Nigerian banking system. First, was the participation of the Federal Government from 1973 through the ownership of percentage shareholding in the foreign banks. From 40% Federal Government ownership in banks in 1973, the control of the Nigerian state in banks was increased to 60% in 1977. Under this arrangement the Federal Government shareholdings in the three big banks were as follow: First Bank, 44.5%, Union Bank, 51.57% and UBA, 45.76% (Nwankwo, cited in Onuoha, 1988).

Second, was the involvement of the regional governments‟ in the banking sector through the rescue mission of the Western and Eastern regions in the affairs of indigenous banks in their jurisdiction that fell into bad times. This saw the take-over of 100 percent and 99.8 percent equity respectively by the Western region in Wema Bank and National Bank of Nigeria. Similarly, the Eastern region acquired 99% equity holding in African Continental Bank (ACB). Indigenisation from 1977 entailed the ownership of banks solely by individually by Nigerians, or by group of Nigerians in partnership with foreigners.

Government participation in banking sector led to the appointment of Nigerians to the Boards of several banks. Similarly, indigenisation provided the opportunity for the Nigerian petty bourgeois and comprador classes to acquire shares and serve as directors in the foreign banks. Onuoha (1988) demonstrates how such appointments to the Boards

of banks in which government had interests promoted PCA, capital expropriation and income inequalities in Nigeria. Directorship or/and ownership of banks have been used by privileged members of the domestic class as a mechanism of PCA and to build material bases as platform for political power which guarantees better and more robust PCA through the control over the state.

On the eve of liberalisation of Nigeria‟s financial market in 1986 the federal government dominance in the banking and insurance sub-sectors of the financial sector was firmly established, while state governments across the nation owned a number of banks (Lewis, 1993, cited in Lewis & Stein, 1997).

## Financial Liberalisation as Primitive Capital Accumulation

Lenin‟s (1983) seminal work, *Imperialism the Highest Stage of Capitalism* not only envisages the world system of contemporary globalisation and transnational accumulation, it underscores the importance of banking and financial accumulation within the capitalist world system. Similarly, Scholet (1997) calls attention to the uniqueness of contemporary globalisation which distinguished it from internationalisation and other hitherto capitalist model of imperialist accumulation.

The two distinctive properties of contemporary globalisation identified by Scholet (1997:431) are simultaneousness and instantaneousness. These two properties are germane for a proper understanding of financial liberalisation and its implications for national economies. In this connection, the globalisation-oriented accumulation rather than being rigidly defined and characterised by cross-border and openness, has to do with transcendence (Scholet, 1997). This makes for supra-territoriality and the

possibilities of simultaneous and instantaneous accumulation with and/or without reference to the state.

This novel accumulation process under neo-liberal globalisation depends mainly on banking, financialisation and Information Technology. This new globalisation induced accumulation has no need for the drudgery of production in what has become known as *casino capitalism*. The banking and financial accumulation under reference has both international and domestic corollaries. A major aspect of the SAP imposed on Third World nations was the regime of financial liberalisation.

The theoretical underpinning of financial liberalisation is rooted in the need to eliminate inefficiency which militates against productive investments in the financial market. Thus, financial liberalisation is meant to engender ease of capital accumulation for expanded production that would ensure capitalist development by freeing and reallocating hitherto redundant, misallocated but investible capital resources for a new cycle of capital formation.

This thinking flows from the works of Mckinnon, (1973) and Shaw (1973) on financial repression. The belief of this school of thought is that state interference and regulation both stiffle and distort financial market, a condition that is dysfunctional for capital accumulation. This necessitates a reduced role for the state in financial matters in particular, and the economy in general. As Zephirin (1993:2) puts it, “government role should be confined to maintain non-inflationary monetary growth and neutral fiscal policy”.

A reduction in government interference in the economy in favour of the market will entail a shift from financial repression to the systematic invigoration of the financial market and the economy, thus ensuring efficient resource allocation. Financial liberalisation as a mechanism for financial invigoration entails the strengthening of market forces in order for it to control and determine the allocation of resources in the credit and financial market under a new regime of financial intermediation.

Hence, it is often proposed that financial intermediation should be such that ensure, according to Johnson (2004:267), “...the conversion of savings into loans and a set of rules, monitoring and enforcement mechanisms to enable the organisation to perform this function”. In this connection, floating interest rate regime is believed to be positively correlated to savings and investment (Fry, 1995, cited in Johnson, 2004). In order to achieve this objective, the total deregulation of the financial market became a categorical imperative.

From the foregoing, it is apparent that the logic of financial liberalisation is that deregulation, flexible interest rates and streamless financial flow will attract both domestic savings and Foreign Direct Investment (FDI). Furthermore, deregulation would ensure the reallocation of hitherto misallocated resources to the productive sectors of the economy. This would unleash the forces of capitalist development in the Nigerian economy. However, there is a yawning gap between theory and practice as it has to do with financial liberalisation. Deregulation promotes the illusion of prosperity, with financial speculators reaping bountiful benefits which are not available to non-

speculators in the financial markets. When every one joined in the rally, a false sense of prosperity sustains the illusion (Weller, 2001).

The experience of Nigeria with financial liberalisation bears testimony to the dangers of “speculative boom” and uncritical deregulation as financial liberalisation firmly consolidate pirate capitalism in Nigeria. This condition promotes what Bhagwati, (1982) refers to as directly unproductive profit-seeking (DUP) activities. Thus, financial liberalisation complicates the problems it was meant to resolve. The reason for the failure of the financial liberalisation in Nigeria according to Lewis (1994) and Lewis and Stein (1997) was due to the weak nature of cognate institutions and macroeconomic indiscipline.

Some scholars have cautioned us on the deleterious consequences of financial liberalisation. In this respect Ojo (1992) notes that improper financial liberalisation is sure to produce, “widespread speculation, excessive risk-taking, fraud, irregularities, which could eventually give rise to widespread insolvency among debtors and financial intermediaries, financial instability and significant damage to the real economy”. It is not much of doing the right thing; if it is right at all, but doing the right thing rightly. Our next focus is to examine how financial liberalisation has been implemented in Nigeria.

The first effort at combating financial repression in the Nigerian financial market in the context of liberalisation was the CBN policy on interest rates two years before the adoption of SAP. The action of the CBN was a consequence of the WB dissatisfaction with the prevalence of financial inefficiency and misallocation of resource in the Nigerian financial market. The WB also argued that Nigeria was under-banked. Thus,

SAP amongst other objectives sought to address these concerns through the comprehensive liberalisation of the Nigerian financial market. In liberalising the Nigerian financial sector the following actions were embarked upon by the Nigerian state:

1. Introduction of more liberal conditions for the opening of banks; a condition that saw the licensing of many new banks, and much later in the adjustment years the establishment of array of NBFIs;
2. Deregulation of the hitherto rigid interest rates regime for both savings and lending. This was complemented with the introduction of a host of friendly monetary and fiscal policies;
3. The deregulation of foreign exchange with the commencement of inter-bank foreign exchange transactions leaving the allocation of foreign exchange to market forces as against government fiat.

These actions aimed at financial liberalisation seriously eroded the traditional accumulation basis of the dominant class in Nigeria. Some of the traditional accumulation mechanisms that were negatively affected by financial liberalisation were the import licence regime, subsidies on commodities, monopoly rents, non-competitive and market unfriendly interest rates, official allocation of foreign exchange, and the official determination of the Naira exchange rates against international currencies.

The main fallout of these actions according to Lewis (1994) was the continued unprofitability of mercantilist accumulation leading to a shift to finance based primitive accumulation. The first and profound effect of this shift in accumulation focus was in

the mushrooming of banks. This accumulation propelled growth of Nigerian banks is shown on Table 5.1.

## Table 5.1: Growth of Banks and Financial Institutions, 1986-1993

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Commercial banks | Merchant banks | Finance Companies\* | Mortgage houses\* | Insurance companies |
| 1986 | 29 | 12 | - | - | 43 |
| 1987 | 34 | 16 | - | - | n/a |
| 1988 | 42 | 24 | - | - | 51 |
| 1989 | 47 | 34 | - | - | n/a |
| 1990 | 58 | 48 | - | - | 58 |
| 1991 | 65 | 54 | - | 23 | n/a |
| 1992 | 66 | 54 | 48 | 145 | 72 |
| 1993 | 66 | 54 | 301 | 252 | n/a |

Sources: NDIC; CBN, *Annual Report*, various years.

\*Licensing of Mortgage houses began in 1991, Finance companies in 1992. In 1992, the CBN

„recognized‟ 618 finance companies addition from those already receiving licenses.

Adapted from Lewis, P. and H. Stein (1997) „Shifting Fortunes: The Political Economy of Financial Liberalisation in Nigeria‟, *World Development*, Vol. 25, No. 1, p. 9.

Furthermore, financial arbitrage through interest rates and foreign exchange manipulation amongst other strategies provided the basis of the new primitive accumulation regime in the context of financial liberalisation (Lewis, 1994; Lewis & Stein, 1997). Weak regulatory administration, the politicisation of financial matters evident in government continued intervention in the market despite deregulation, multiple foreign exchange rate system and the complicity of the state through its compromised autonomy were factors that worked in favour of financial liberalisation as accumulation in Nigeria.

Lewis and Stein (1997) documented the extensive market intervention by the state in the context of financial liberalisation in Nigeria. The political determination of bank licensing by the Presidency as well as the involvement of retired army generals in banking business and preferential allocation of foreign exchange as a tool of political patronage oblitrates the market order in the financial administration despite reforms.

Thus, there was tension between implementing the reform as directed by the IMF and the WB, and its compromised version preferred by the social classes in control of state power in Nigeria for the faithful implementation of the reform amounted to commiting class suicide. It was not surprising that the internal forces for primitive accumulation prevailed in the long run given the involvement of many retired military generals and powerful political notables and business elite in the banking and financial business. Given Nigeria‟s experience, serving military officers who do not want to be disadvantaged exploited the opportunities provided by financial liberalisation through fronts and different illegal and covert stratagem as was the case during the indigenisation programme in Nigeria.

According to Lewis and Stein (1997:7): “An examination of the 1993 boards of several hundred financial institutions revealed some 61 retired officers with 105 affiliations in 95 firms of these, at least 17 post-1986 banks listed former officers in their management roster”. The involvement of retired officers in the Nigerian financial sector had grave implications for the failure of regulatory oversight. For these and other reasons previously adduced, financial liberalisation failed to end the regime of financial repression. The examination and overview of the mechanisms for the perpetuation of

financial repression in the context of Nigerian financial liberalisation engages our attention next.

## The Foreign Exchange Market

The multiplicity of exchange rate regimes and market order that governed the foreign exchange transactions were easily amenable and exploited for PCA. Some of these mechanisms for foreign exchange allocation were: official market with government determined exchange rate, the Second-Tier Foreign Exchange Market (SFEM), the Inter-Bank Foreign Exchange Market (IFEM), the Dutch System, the Parallel Market, and the *Bureau de Change*. For these markets and systems, the exchange rates were based on floating rates determined by the forces of demand and supply (see Table 5.2 for the varying rates between the different markets).

Given that the exchange rate in the open markets was always higher than the official exchange rate, the market was pervaded with opportunities for financial arbitrage which privileged the buying at lower rates from the official market and selling at a higher rates in the open markets. It was those well connected to the state that mostly got their foreign exchange demands met from the official market. Thus, political influence and patronage as against the forces of demand and supply became the basis for the allocation of foreign exchange. Furthermore, with weak and politically compromised regulatory regime, banks officials easily escaped scrutiny and perpetuated high-level financial illegalities (Lewis & Stein, 1997).

Also, the proliferation of banks in Nigeria at this time was associated with the illicit opportunities for quick accumulation from foreign exchange trading. There was in

existence a number of single office banks sustained exclusively by primitive capital from foreign exchange transactions (Lewis, 1994). In many instances, foreign exchange bidding were undertaken in favour of non-existing banks (Lewis & Stein, 1997).

Similarly, fake passports and business registration documents were procured for Personal Travelling Allowance (PTA) and Business Travelling Allowance (BTA) at the official rate to be later sold on the black market. Genuine users of foreign exchange were short-changed, as a result of which the cost of industrial production hit the roof. Many manufacturing concerns closed on the weight of scarcity and high cost of foreign exchange for the procurement of production inputs and technology.

## Table 5.2: Trends in the Foreign Exchange market, 1986-1994

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Nominal  rate\* | Parallel rate | Market Structure+ |
| (N/US$) |
| 1986 | 3.2 | n/a | A,C |
| 1987 | 4.2 | 4.6 | B,C, D |
| 1988 | 5.4 | 8.4 | B, C, D |
| 1989 | 7.6 | 9.6 | A,D, E |
| 1990 | 8.7 | 10.4 | B, D, E |
| 1991 | 9.9 | 12.8 | B, D, E |
| 1992 | 18.5 | 22.2 | C, D, E |
| 1993 | 22 | 43 (est.) | C, D, E |
| 1994 | 22 | 80-100  (est.) | F, (D) |

Sources: Odubogun, (1994), pp. 112: Ntekop (1992), pp. 29-30; CBN, *Annual Reports,* various. Notes: \* Auction rates (December) until 1994. Fixed rate, 1994.

+Market structure includes: A = simple auction; B = Dutch auction (or modified Dutch auction); C = autonomous (interbank) market; D = parallel market; E = *bureau de change*; F = direct allocation; () = proscribed but operating. Market structure is the prevailing structure in December of each year. Four tiers sometimes operated during transitional periods.

Adapted from Lewis, P. and H. Stein (1997), „Shifting Fortunes: The Political Economy of Financial Liberalisation in Nigeria‟, *World* Development, Vol. 25, No. 1, p. 11.

The boom in the financial sector led to the growth of other financial intermediaries who came into the market to cash-in on the opportunity for free-for-all accumulation. Most of these companies had no legal existence, though a handful of them later got the CBN approval (CBN, 1993a, cited in Lewis & Stein, 1997).

Notable in this regard were the financial investment companies which specialised in pyramid scheme and offered mouth-watering interest rates, often paid up-front to the unsuspecting public. These banks were popularly referred to as „wonder banks‟ given the seeming magic-like profile of their promised returns on investment. Notable among these financial houses with head offices in Lagos and Port-Harcourt, was Forum Bank.

No sooner had these outfits been set-up than they with their sponsors disappeared with money accumulated from the Nigerian public, government institutions and surprisingly, banks. As Lewis and Stein (1997:14) have noted: “The finance house operators used company funds for real estate investments, foreign exchange deals and transfers, or personal consumption. When the assets of the institution were bled dry, the owners folded up and disappeared, sometimes resurfacing with a new firm”.

In order to maximise opportunities for PCA offered by the financial liberalisation environment the banks opened affiliate finances houses as well as mortgage banks when this was sanctioned by the CBN. As projected by their sponsors this ensured increase PCA hauls as these were less scrutiny of the affairs of these NBFIs by the regulatory authorities.

The moral sensibilities of Nigerians were not spared with the introduction by banks of

*corporate prostitution* through the use of young female graduates as sex-objects for the

procurement of bank deposits at all cost. Unfortunately, these depositors‟ funds were in most cases mismanaged through unsecured insider‟s loans. One of the ways this was done was through self-lending.

Self-lending according to Cernal (2004:463), “... occurs whenever the bank provides loans to bank managers and owners or to entities associated with them”. As he further argues, self-lending “substitutes free-market lending conditions with over-optimism regarding the profitability of the loan, and looser conditionality and bank scrutiny. The result is usually bad loan. The financial effect of self-lending was that commercial banks transferred good liabilities (deposits) into bad assets (loans to their owners)” (Cernal, 2004:463).

According to the NDIC (1994, cited in CBN, 2007: 23) “insider loans accounted for 65% of total loans of the four banks liquidated in Nigeria in 1995”. Thus, self-lending is a mechanism for PCA. Many banks owners were involved in this negative practice to the detriment of the financial health of the banks in particular and the economy in general.

It was not only the bank owners that reaped windfall from financial liberalisation. Some smart staff of the banks, mostly young professionals with Banking, finance, and Economics and Accounting degrees used their expertise to increase the accumulation of their employers while at the same time helping themselves. In an interview in the course of this research a former banker who was an active participant in these liberalised accumulation schemes revealed one of the modalities through which the liberalisation of bank rates and charges were manipulated for personal gains.

Our respondent gave an instance of a customer who required N100 million facilities for export. Instead of charging Cost on Turnover (COT) of N5 on every N1, 000, the customer was offered a N3 COT per N1, 000. However, in the books of the bank the customer was paying N1 on every N1, 000, while the difference of N2 goes illegally to the „smart‟ banker (Field Interview, 2008, August 12). Given the paucity of loanable funds during this period many customers accepted this abnormal deal from which the banker profited at the expense of both the bank and the economy. This was apart from outright stealing and fraud in by staffs of most banks who took advantage of the weak internal control mechanism and lack of corporate governance. This situation was no different at the large level of the state.

From 1st January, 1988, in the guise administrative and structural reforms of the apex bank, General Babangida removed the autonomy of the CBN and centralized it‟s control in the presidency. This control of the CBN and its Governor by the Presidency became law with the 1991 CBN Decree (Osoba, 1996). Under this enforced anomaly, General Babangida took direct charge of the nation‟s monetary and banking matters, transforming the CBN into what has been aptly described by Enuenwosu (1994, cited in Osoba, 1996:382) as the “... Central Bank of the President (CBP), a unit or department in the office of the president carrying out the president‟s binding and directives on monetary and banking policy”.

The political control of the CBN under General Babangida was a major mechanism of primitive accumulation and crony-capitalism. This seriously undermined the financial liberalisation programme. With the nation‟s Central Bank under his control, General Babangida embarked on extra-budgetary spending and erected edifices that served PCA.

As a consequence, General Ibrahim Babangida misused the CBN “Ways and Means Advances”. As Osoba (1996:382) notes, “...Babangida was able to fund his multitudinous corrupt and corrupting projects by using the CBN “Ways and Means Advances” to underwrite his regular budget overruns: N8.3 bi**l** ion in 1988; N14.6 billion in 1989; N18.6 billion in 1990; N24.6 billion in 1991 and N41.5 billion in 1992”. General Babangida complemented the above source of primitive accumulation with the direct printing of the Naira, thus fuelling inflation with excess money in circulation.

It cannot be over-emphasised that General Ibrahim Babangida was not prudent in the management of Nigeria‟s scarce resources. As Momoh and Adejumobi (1999:55) observe, “Babangida, who talked of the military‟s prudent management of the nation‟s resources and finances, went into a great deal of extra-budgetary spending in order to gain support from specific sectors, individuals and groups. And in nearly all the cases, the principle of accountability was ignored”.

In this regard, Osoba (1996:383) notes that “Between IBB‟s [Ibrahim Badamosi Babangida] acension to power in August 1985, and his exit in 1993, Nigeria‟s money supply (or money in circulation) jumped from N11.8 billion to N100.5 billion, thus injecting an intolerably high level of cumulative devaluation and inflation into the national currency and economy”.

Under the financial liberalisation regime, the financial market in Nigeria was intermingled with complex ownership, financial and operational networks between banks and NBFI. This complex relationship was consolidated with overlapping directorship. There were as at 1993 over 310 interlocking directorates among the different sectors of the Nigerian financial market (Lewis & Stein, 1997).

This relational structure was grossly abused through excessive and risky lendings for the purpose of foreign exchange transactions, and in some cases as a device to postpone imminent collapse. The result was the dwindling of productive investments as interbank rates hit the roof. The structure of the market that had emerged which privileged parallel and cross-ownership and financial relationship assisted the crisis to spread like bush fire.

While these cross-ownership arrangements furthered PCA, so also were its negative effects when the implication of mismanagement of financial liberalisation started spreading like a malignant cancer in the Nigerian economy. These conditions were not helped because of the compromised position of the regulatory authorities which precluded the application of necessary sanctions immediately signs of distress were first noticed.

It was only a matter of time before the Nigerian economy crumbled under the heavy weight of the PCA to which it was subjected by all and sundry. The speculative trading, high interbank interest rates for loans, foreign exchange manipulations, round-tripping, money laundering, financing long-term ventures with short-term funds, pyramid schemes, outright looting of shareholders funds, soft loans to bank owners, insider abuse, self-lending, excessive risk-taking, political interference with bank operations, among other malfeasances occasioned by financial liberalisation could certainly not go on for eternity.

Between 1992 and 1994 crisis set in for the banks. The insistence on the provision for bad and doubtful debts by banks under the Prudential Guideline introduced in 1990-

1991 by the CBN was the ultimate nemesis of banks for their past financial recklessness and uncontrolled accumulation.

With the National Bank of Nigerian owned by the South-West state in the hands of the financial undertakers the CBN and the Nigerian Deposit Insurance Corporation (NDIC), in 1992; other banks were soon forced to close shop by the regulatory authorities. Specifically, according to Lewis and Stein (1997), by 1993 five other state-owned banks followed in the way of the National Bank of Nigeria, while the regulators liquidated three merchant banks and a commercial bank with the license of two other commercial banks suspended the following year. The situation was such that by 1998, some 45 banks were “distressed” and 31 banks were liquidated.

In a research conducted by CBN, *Case Study of Distressed Banks in Nigeria*, the CBN advanced reasons for the problems of the four banks studied. Though the names of the four banks were not provided, we were able to identify three of the banks based on the corporate profiles supplied in the study.

The three identified banks are: Bank W, Wema Bank; Bank X, Commerce Bank; one of the financial liberalisation produced banks, which incidentally as the profile pointed out, “.... also had the privilege of having two of its Managing Directors or Chief Executive Officers [Drs. Femi Adekanye and Ralph Osanyemeh] serving as president of the Charter Institute of Bankers of Nigeria (CIBN), in quick succession in the 1990s”.

The last bank which we identified in the research is the African International Bank, formerly Bank of Credit and Commerce International, (BCCI) referred to in the study as Bank Y. The analysis of the four banks produced similar reasons with minor variations

at the root of their distress. The failure of these banks were due to insider lending, lack of corporate governance, financial illiquidity, poor loan management practices, over- bloated cost profile and professional incompetence (CBN, 2007).

## A Critique of the Structural Adjustment Programme in Nigeria

Though SAP failed to achieve the desired objectives, its effects on the Nigerian society was very profound. The devaluation of the Nigerian currency for instance had serious implications for the cost of domestic production. This was because the Nigerian economy was heavily dependent on importation of raw-material and technology. This had direct consequence on increased cost of imports relative to exports. Furthermore, currency devaluation led to imported inflation with the importation of manufacturing inputs from abroad. This is added to domestic production costs resulting in the high cost of finished goods and services in Nigeria.

Second, the deregulation of interest rates by the CBN from 1st August, 1987 increased cost of funds, worsened the cost of production and thus made domestic goods and service unaffordable (Anyanwu, Oyefusi, Oaikhenan & Dimowo, 1997). To complicate the situation, in line with the neo-liberal policy thrust the Nigerian government implemented an 80 per cent subsidy withdrawal from petroleum in 1986 leading to a 97.5 percent and

168.2 percent increase in the prices of both Premium Motor Spirit (PMS) and Diesel (Anyanwu, et al, 1997). With crude oil sold to local refineries at $0.58 pb; more than the prevailing international price of crude Nigerians were made to pay more than the price in the international market (Obi, 1987 cited in Anyanwu et al, 1997).

Given the unreliability of public power supply and the reliance on private power generators by most businesses the increased cost of petroleum products also had serious cost implications for production. The need to curtail the spiralling cost of production engendered the retrenchment of many workers (Mustapha, 1992; Olukoshi, 1991). Babawale (2006) notes that “... industrial employment declined from 335,000 in 1985 to a miserable 27,000 in the 1990s”.

Many businesses were shut down due to high cost and poor sales. With local manufacturers out of business, foreign products took over the Nigerian market. Nigeria consequently became a dumping ground for substandard products from abroad. SAP therefore worked against the industrial gains that Nigeria had achieved in the decades after independence (Omoweh, 1991). In this way, SAP aggravated Nigeria‟s crisis of capitalist development.

Mkandawire and Olukoshi (1995), argue that SAP was positively correlated with authoritarianism. In order to force down on Nigeria the SAP bitter therapy critical voices in the civil society, like the Nigerian Labour Congress (NLC), the Nigerian Medical Association (NMA), the Nigerian Union of Journalists (NUJ), the National Association of Nigerian Students (NANS), and Human Rights activitists were given varying authoritarian treatments by the Nigerian state.

The institutional modalities with their orientation to rent-seeking and unproductive accumulation, Lewis (1994) rightly argues, made productivity unnecessary and capitalist development a delusion of grandeur. The negative co-efficiency of “patrimonialisation” of state apparatus and economic development (Hope, 1997) bears testimony to the validity of this assertion.

The profitability of currency trading due to the depreciation of the Naira against the American dollar and British pound sterling promoted a pervasive culture of unproductive accumulation by individuals, corporate organisations and banks. This explained why the SAP era was that of the burgeoning of finance houses and portfolio managers in Nigeria, signalling the moving from any semblance of productive capitalism to that of unproductive but super-profit PCA.

SAP in Nigeria failed to create a domestic group of entrepreneurs oriented towards production and capital accumulation. On the contrary, SAP stifled private investment and productive entrepreneurial activities in favour of unproductive financial accumulation. PCA through financial accumulation became useful to members of the domestic ruling class in the takeover of State-Owned Enterprises (SOEs) that were privatised at cheap prices.

## Banking Consolidation and Its Aftermath

By the time President Olusegun Obasanjo assumed power as the second Executive President of Nigeria on 29th May, 1999, the Nigerian financial sector was immersed in crisis, with the bank despite the recent history of failure still immersed in liberalisation related financial accumulation to the detriment of the capitalist development of the domestic economy.

The new democratic dispensation also provided opportunities for renewed pressure by western creditor nations for the resumption of economic reforms that was hijacked, perverted and abandoned under the military regimes of Generals Babangida, Abacha and Abubakar.

In 2004 a new national plan known as the National Economic Empowerment and Development Strategy (NEEDS) was established. This plan for conceived as “Nigeria‟s plan for progress (National Planning Commission, 2004:7), through (i) empowering people; (ii) promoting private enterprise; and (iii) changing the ways the government does its work is a reinstatement of the cardinal pillars of SAP, that is, trade and financial liberalisation, deregulation and privatisation.

The appointment of Charles Soludo as the CBN Governor following the re-election of President Olusegun Obasanjo in 2003 provided the platform for policy reversal that was geared towards the re-invigoration of the Nigerian banks so that they could serve as engine of capitalist development. The new CBN Governor, Charles Soludo, sought to achieve the goal of reinvigorating Nigerian banks as catalyst of capitalist development through the consolidation programme of the banking sector. Under the consolidation programme, the capital base of banks were increased from N2 billion to N25 billion.

After the expiration of the eighteen months given to banks to consolidate, the total number of banks in Nigeria reduced from the pre-consolidation figure of eighty-nine

(89) to twenty-four (24) mega big banks. The other sixty-five (65) banks had either merged with the successful banks or liquidated as a result of their inability to raise the required capital. Most of the banks sourced the funds for their consolidation through sale of shares to the Nigerian public on the Nigerian Stock Exchange.

The consolidation exercise increased the financial strength of the surviving Nigerian banks, just as the banks experienced mega-status and became players in the international financial markets. It was easily and erroneously taken for granted that the size of these banks were indications of their financial health and the existence of

requisite corporate governance structures that would ensure the management and proper utilisation of the funds that the banks mobilised from the Nigerian public through public offers on the stock market.

With the strong financial base of the post-consolidation Nigerian banks, a number of foreign financial institutions and investors started showing interest in Nigerian banks. This led to an avalanche of credit facilities to these banks as well as the taking of positions in the stocks of these banks by international speculative investors seeking to profit from the post-consolidation activities of Nigerian banks.

As a result, the share prices of the Nigerian banks on the Stock Exchange market mostly tripled, providing bountiful harvest to speculative investors. The high liquidity in the post-consolidation Nigerian economy similarly impacted on real estate prices, which ballooned to the skies. While it lasted, the real sector of the Nigerian economy was starved of investible funds as stock trading became the only profitable business in Nigeria. The ficticious profit in the stock market was however a mask for the manipulation of the Nigerian stock market for PCA by a few.

The advent of the international capitalist crisis, generally referred to as global financial meltdown in 2007, however exposed the underbelly of the Nigerian banks and Stock Exchange market. It resulted in the recall of the international credit lines to Nigerian banks and the withdrawal of funds from the Nigerian Stock Exchange (NSE). These actions engendered serious crisis that prompted stock market crash as well as liquidity crunch in the Nigerian banking sector. Unfortunately, the greatest losers are the Nigerian toiling masses who were deceived into putting their monies into stocks in the

Nigerian capital market for opportunity for quick profits not knowing that the rally was over and the bubble was about to burst.

Another fallout of the post-consolidation exercise was the advent of „showmanship‟ and aggressive media hype and the unhealthy competition among Nigerian banks. Nearly all the banks came back to the market after the consolidation exercise to raise further capital in a race to be among the biggest and leading banks in Nigeria as well as earned international ratings. Crude and unprofessional methods were deployed to achieve these objectives.

In order to be attractive to the investing public, the books of most of the banks were

„packaged‟ and manipulated to look good, just as the prospectus prepared for public offer did not reflect the true financial position of the banks. In many instances, the share allotments were not done over one year after the close of offers with the shares of the banks remaining on technical suspension on the stock market. The banks in this way were able to keep and trade with the money of the investing public without paying interest. The NSE, the Security and Exchange Commission (SEC) and the CBN were guilty of complicity in this regard as no erring banks were ever sanctioned for this unprofessional conduct.

An intriguing dimension of the constant return of these banks to the Stock Market to raise fresh capital was the creation of artificial prices for the shares of the banks. This was achieved through the use of the post-consolidation excessive liquidity to provide loans to people to buy shares of the banks, just as the banks themselves bought and warehoused their own stocks creating artificial demands and increased price (Abimboye, 2009).

For instance, the CBN revealed that the recently sacked Directors of Intercontinental Banks Plc received N8 billion each in order to acquire 50 percent equity in the bank, just as Afribank lost N120 billion from trading in its own stocks (Abimboye, 2009; Olesin, Kolapo and Alechenu, 2009). This was a strategy for PCA from the meagre resources of the unsuspecting Nigerian public who fell victim of the mob mentality of following the crowd. The value of these banking stocks has witnessed over eighty percent devaluation following the crash in the Nigerian Stock Market starting from March 2007.

A further dimension to the unhealthy rivalry and PCA following banking consolidation in Nigeria was branch expansion and building of grandiose structures by most banks. Interviews with informed operators in the sector revealed that the building of these grandiose structures in the guise of branch expansion is actually a strategy for PCA (Field Interview, 2009, August 14). We found that these branches were built very big in order to justify their inflated cost.

Most of the branches of such banks are storey-buildings, even when the scale of operations of the branches did not warrant this. Physical examinations of most of the branches of the banks revealed that the structures were largely a waste of depositors‟ funds as only a small percentage of available space were in use. From our investigation, the book value of these structures was inflated by over two hundred percent. The difference between actual cost of construction and book value went to vested interests in those banks in the form of PCA. It was for this reason, amongst others, that the World Bank recently noted that “as much as $10 bi**l** ion or half of a**l** Nigerian banks holdings were tied up to questionable assets” (Kolapo, 2009).

With respect to toxic assets, after the recent examination of Oceanic Bank Plc, the CBN alleged that the Managing Director and Chief Executive Officer of the Bank, Mrs Cecilia Ibru owns two private jets, and had concluded arrangement to add two new private jets before she was removed by the CBN. She was alleged to have paid her daughter‟s firm a sum of N825 mi**l** ion for a ten year property lease (Olesin, Kolapo and Alechenu, 2009). These toxic assets constitute a major mechanism for PCA by operators of Nigerian banks.

Contrary to the expectation that the increased capital base of Nigerian banks would be used for the finance of capitalist development through investment in industry and other productive sectors of the Nigerian economy, post-consolidation banks in Nigeria are more oriented towards speculative investments, involvement in the explosive oil business and PCA. As a result, credit lines are either extended to oil and gas, share purchases or insiders related unsecured loans. This is clearly shown by the published list of heavily in-debited creditors with non-performing loans in five distressed bank whose Managing Directors and Executive Directors were recently sanctioned by the CBN (see Appendix 1).

The credit profiles preferred by the post-consolidation banks are all high-risk ventures, with serious problems to the possibilities of repayment. Many members of the Nigerian accumulating class, within and outside the banking system have become specialists in obtaining loans from the banks without any intension of repayment. While serious entrepreneurs are unable to obtain funds for their businesses from the banks, speculators and traders have funds literally thrust on them by the banks. And given the low value-

added and risky nature of the activities for which these funds are put; repayment of the loans are usuallyfraught with problem.

The banks however kept doctoring their books in spite of the existence of these toxic assets and declaring mouth-watering profits without making provisions for the bad loans in their books. However, the manipulation by banks has been exposed for what it is by the action of the CBN Governor, Sanusi Lamido Sanusi, which led to the sacking of the Managing Directors and Executive Directors of five seriously stressed banks vis: Intercontinental Bank Plc, Oceanic Bank Plc, Afribank Plc, Union Bank Plc, and FinBank Plc (Olesin, Kolapo and Alechenu, 2009).

The 14th August, 2009 CBN regulatory action which led to the sack of the Chief Executives of five banks was on account of money laundering, granting unsecured loans, self-lending, violation of regulatory guidelines of loans, falsification of accounts, and outright stealing/looting of depositors funds. All together, these five banks had N2.8 trillion loan exposure, out of which N1.1 trillion were classified by the CBN as non-performing loans (see Appendix 1). For instance, contrary to Banking Regulations, the sacked Directors of Intercontinental Bank Plc gave themselves $10,000 each as holiday allowance (Olesin, Kolapo and Alechenu, 2009).

The introduction of the Expanded Discount Window (EDW) by the CBN under Charles Soludo allowed banks to cover-up their liquidity crisis by borrowing from the CBN. Most of these distressed banks, in particular, Intercontinental Bank Plc, took advantage of this facility in what has made observers to conclude that the CBN under Professor Charles Soludo was culpable for the rot in the Nigerian banking sector. These five banks were responsible for 89.81 percent of the bank‟s loan through the EDW.

The EDW which is a device to cushion the illiquidity crisis of the banks provided added opportunities for the social classes that use the financial and banking sector for accumulation to profit from the use of public funds for private interests. While the loan from the EDW was procured from the CBN at 2 percent, the funds were given out at 20 percent to the Nigerian public. Similarly, the EDW that was expected to be for a 14 day period was extended to one year. Funds obtained from the EDW were also part of the amount that was given out as self-lending and as loans to associates and non-existing companies, which eventually resulted in non-performing loans (Ogbu, 2009).

Our independent investigations and interviews with informed players in the banking industry revealed the manipulations perpetuated by most banks as regards loans. First, interests on outstanding and non-performing loans were said to be periodically written- off when the loans fell due after under the table agreements between banks officials and the debtors making the loans appears like new loans in the books of the banks (Field Interview, 2008, August 14).

Abayomi (2009), a former banker, writing on the crisis, submits: “This is not story telling: I was once in the banking sector and I know of a particular case involving a bank where its recently sacked chief executive had cause to be written off, a non- performing facility of about N400 mi**l** ion, outstanding against a sitting governor”. This was possible because most of the banks Managing Directors are in their own rights financial leviathans.

Furthermore, we discovered that loans and interests waivers were granted and written- off without following due process and with only the Managing Directors and their kitchen cabinets‟ approval. The signatures of three non-executive directors required in

most cases were dispensed with, or obtained much after the transactions have been consummated.

This lack of internal checks and balances and the arbitrariness of the Chief Executives of banks made it possible for the pervasiveness of self-lending which was manifested in the granting of loans to companies connected with people in control of these banks. According to the CBN, the Cecilia Ibru-led Oceanic Bank Plc granted N160.7 billion loans to associates and cronies, just as Intercontinental Bank Plc under Erastus Adegbola gave loans to the tune of N32 billion to firms belonging to seven directors of the bank (Olesin, Kolapo and Alechenu, 2009). The effects of this as Cernal (2004:463) notes pertaining to the incidence of self-lending in Romania is “... that commercial banks transformed good liabilities [deposits] into bad assets [loans to their owners]”.

Another strategy employed by the banks to deceive the unsuspecting public and promote accumulation through the Stock Market was the manipulation of the requirements of the prudential guideline on provisions for bad loans. As the banks were getting to the end of the financial year of banks, provisions that were previously made for bad debt were written back into the books in order to produce impressive results which served as baits for the investing public to invest more money in the banks in response to the dubious profits declared by the banks. This strategy of cosmestic profitability was often parallel with the moving of funds between banks in order to buoy the balance sheet as the accounting year approaches. The introduction of December common year-end for all banks in Nigeria will hopefully reduce this incidence.

## Privatisation for Primitive Capital Accumulation

The philosophical underpinning of Nigeria‟s privatisation programme was the belief in the failure and inefficiency of public sector management and the assumed superiority of the private sector as engine of development. Against this background, it is paramount that we interrogate this philosophical orientation with regard to the public-private sector debate in the context of Nigeria‟s political economy before delving into the substantive issue of privatisation in Nigeria.

The Nigerian public sector was a product of colonial imperialism. British colonial capitalism developed a rudimentary public sector for two primary reasons. First, the creation of the Nigerian public sector was a function of a bureaucratic necessity to permit ease of governance and administration of colonial Nigeria. Second, the Nigerian public sector was established as a mechanism for resource extraction and capital accumulation from Nigeria for the benefit of the British imperial economy. Both objectives of building the Nigerian public sector by colonial imperialism obeyed the logic of political and economic penetration, domination, control and ultimately capital accumulation in the interest of British imperialism.

The Nigerian colonial public sector was authoritarian, oppressive and exploitative. The development of the Nigerian public sector paradoxically underdeveloped and disoriented it from the classical public sector in the advanced capitalist countries. This was because the state that superintended over the public sector was from inception non-autonomous, and followed the logic of capital appropriation and accumulation in aid of transnational capital.

Colonial imperialism in a systematic manner reinforced the underdevelopment of Nigerian productive forces and the indigenous private capital. Through the monopoly of trade in the thriving export and commercial businesses, especially following the World War II boom, colonial imperialism relegated the Nigerian indigenous capital to the peripheral sphere of the Nigerian economy (Akeredolu-Ale, 1975; Beckman, 1982; Ofonagoro, 1979; Onimode, 1982).

Beyond creating an indigenous private capitalist class with fragile capital base, and largely unnationalistic and pathologically disposed mainly to commercial as against industrial accumulation, the colonial experience exposed the Nigerian indigenous capital very early to the perverted orientation of collaborating with both the state and imperialist capital for PCA.

The Nigerian state and public sector at independence found it convienent for self- interested reasons to continue with the orientation inherited from the colonial state and colonial public sector. Similarly, the Nigerian private sector; made up mostly at inception of members of the political class, their families and business associates continued the use of the state and public sector for PCA with serious and negative consequences for capitalist development in Nigeria.

Therefore, the developmental liability Nigeria inherited from colonial rule was the dual legacy of a dependent state with supervisory authority over a spineless and anaemic public sector as well as a pathologically parasitic private sector lacking not only capital but also the capacity to champion domestic capitalism.

## The Expansion of the Public Sector and the Interface with the Private Sector

The global ascendance of the public sector in economic management after World War II was a consequence of the capitalist crisis of the late 1920s and early 1939, and the need to rebuild European economy after the war; a task only public sector management was capable of doing. In Nigeria, public sector expansion in the first instance followed the ideology of mixed economy adopted by the Nigerian state between 1954 and 1970, and second, because of the oil boom and the ideology of state capitalism which privileged the massive investment in public enterprises as a platform for capitalist development.

The Nigerian private sector within this context of the expansion of public sector benefited and profited most handsomely from the relationship. The specificity of the Nigerian political economy, especially of fiscal centralism, state capitalism and the underdevelopment of productive forces, and not the least, the enclave nature of oil economy left the Nigerian private sector with just the option of accommodation with the state and foreign capital as a basis of accumulation and survival. This was the line of least resistance especially given the ideological orientation of members of the domestic accumulating classes.

Given the role of the Nigerian state as gate-keeper of wealth, the Nigerian private sector perverted the rules and norms of capitalism for PCA. “Private gain”, according to Forrest (cited in Aborishade & Mundt, 2001:184) “surrounded a**l** state companies and corporations. Private accumulation was often dependent on state contracts and various forms of state intervention in the economy”. Thus, primitive accumulation from the privatisation of the Nigerian state forms the basis of most of the present day private sector in Nigeria.

According to Olukoshi (1998), the private sector not only depends on the state for survival and reproduction, both the Nigerian private and public sectors interpenetrate, making distinctions ambiguous. Following from this understanding, Olukoshi (1998) perceptively argues that, “clearly, the Nigerian private business sector cannot fruitfu**l** y be understood independent of its dialectical relationship with the public sector”.

Private accumulation as against rational choice determines the policy orientation of the state especially given the organic linkages and beneficial interests between the public and private sector. As Abba, et al (1985) note, “There is actua**l** y a single private sector, organized by those in control of government for private accumulation by themselves and the multinational corporations”.

The travail of capitalist development in Nigeria which resulted in the privatisation programme can therefore not be separated from the nature and character of the Nigerian state as derived from its colonial origin, and the domination of capital by the state and the associated regime of PCA as manifested in the compromised deployment of the Nigerian public sector as a platform for PCA by state functionaries, indigenous private capital and transnational capitalist forces. Abba, et al (1985) note that, the problems of capitalist underdevelopment of the Nigerian state has its root in the inelegant state- capital nexus and the regime of accumulation which ensured the siphoning of capital from the state for the benefits of private capitalist interests.

In an interview with Professor Pat Utomi, the respondent recalled a comment during a discussion with a former Managing Director of the NNPC who in response to his (Utomi) advice on the need for the government to privatise the NNPC, replied to the effect that: “the NNPC has since been privatised, only that the beneficiaries of the

privatisation didn‟t pay for it”. It does mean that the ongoing neo-liberal inspired privatisation is the second and formal privatisation processes in Nigeria. This second and official privatisation ensures that the buyers this time pays though the companies were mostly grossly undervalued.

While the first round of privatisation involved the use of the state, its agencies and institutions for private benefits while formal ownership and control remain with the state, the ongoing formal privatisation, practically, entails transferring the ownership and control of public enterprises in Nigeria to private capitalist interests, most of who were indirectly responsible for the misfortunes of those public enterprises.

There is need for caution when we refer to the Nigerian private sector as presently constituted. Strictly speaking, there is no Nigeria private sector except at grave injustice to the concept. This is because the Nigerian private sector is largely dominated by foreign capital and highly dependent on the state. The indigenous private sector in Nigeria was not only undeveloped all-through the period of colonial imperialism, state capitalism and the oil political economy with its rentier disposition have further complicated the development of Nigeria‟s productive forces with very negative implications for the development of an organic and self-conscious developmental oriented private sector.

## Privatisation and Accumulation from 1999 to 2009

With mounting debt profile, inefficient public utilities, and the need to strengthen foreign capital, the Nigerian state under General Ibrahim Babangida in the Budget of

1986 embraced the IMF inspired SAP. A major component of SAP was the privatisation programme.

General Babangida adduced the large number of investment of government funds in SOEs with little returns on profit and social welfare benefits to Nigerians, coupled with huge debt by SOEs as justification for privatisation (Anyanwu, et al, 1997).

Babangida‟s consolidation of the Nigerian privatisation programme was released in July, 1988 in the Privatisation and Commercialisation Decree No. 25. This Decree contained five schedules, namely:

* + 1. Schedule I: enterprises to be fully privatised;
    2. Schedule II: enterprises to be partially privatised;
    3. Schedule III: enterprises for full commercialisation;
    4. Schedule IV: enterprises for partial commercialisation; and
    5. Schedule V: enterprises that are to remain public enterprises but are to charge user fees for their services/products.

On 27th July, 1988, the Technical Committee on Privatisation and Commercialisation (TCPC) established under Decree 25 of 1988 was inaugurated under the chairmanship of Dr. Hamza R. Zayyad, as the implementing agency of the privatisation programme. TCPC was to:

1. Reduce of the numbers of public enterprises in Nigeria;
2. Ensure efficiency of investment in SOEs;
3. Engender positive contributions of public enterprises to national development through increase productivity;
4. Promote the self-reliance of public enterprises and;
5. Promote private sector as the motive force of national economy.

Of the 111 SOEs slated for privatisation and 34 enterprises for commercialisation in 1988, the TCPC successfully privatised 88 of the SOEs by 1993. Though the Bureau for Public Enterprises (BPE) was established through Decree 78 of 1993 to replace the TCPC as the agency in-charge of privatisation in due time, the privatisation exercise went into limbo. It was not until 1999 under General Abdulsalam Abubakar that the Public Enterprise (Privatisation and Commercialisation) Act 28, 1999, was promulgated to promote privatisation once again. The Privatisation Act was back-dated to 31st December, 1998. The new Privatisation Act had four schedules, namely:

1. Those to be partially privatised, No. 37;
2. Those to be fully privatised, No. 25;
3. Those to be partially commercialised, No. 24;
4. Those to be fully commercialised No. 9.

What is instructive in the new Schedule of enterprises for privatisation or commercialisation is that unlike the 1988 Schedule, the Nigerian government was totally committed to privatisation and commercialisation. The evidence of this is that no provision was made for enterprises in which government ownership would remain even while charging user fees for services/products. However, nothing was done regarding privatisation until the new civilian government of President Olusegun Obasanjo was inaugurated 29th May, 1999.

On coming to office, President Olusegun Obasanjo commenced the process of privatisation by making the Privatisation Decree an Act of Parliament. President Obasanjo sent a bill to the National Assembly which was later passed as the

Privatisation and Commercialisation Act of 1999 replacing the Bureau of Public Enterprises Decree of 1993. Under this new Act, the National Council on Privatisation (NCP) under the Chairmanship of the Vice President replaced the BPE as the apex body charged with formulating policies and managing the privatisation programme in Nigeria.

The rationale for privatisation can be found in the Privatisation and Commercialisation Decree 25 of l988, the Blueprint of the Privatisation Programme (December l999 – 2003), the Public Enterprises Act l999, and the Status Report by the Bureau for Public Enterprise (May 2003). The goals of Nigeria‟s privatisation teased out from these documents are:

1. To promote and establish the private sector as the leading engine of economic activities and promote economic efficiency in resource allocation and utilisation.
2. To re-integrate the country back into the international capitalist economic system.
3. To generate more revenue for the fiscal operation of government.
4. To reduce the public sector borrowing requirements.
5. To facilitate the development of the capital market as a bastion of capitalist development.
6. To use privatisation as a policy thrust for the development of the Nigerian state.
7. To serve as a basis for the redistribution of income through diversified share ownership structure in the country.
8. To promote the neo-liberal ideological thrust which argues that collective provision not only limits individual choice but also encourages a dependency

culture and that production efficiency can only be enhanced if the individualistic and self – interest of economic agents are given expression.

1. To reduce the economic drain of the public enterprises on the nation‟s resources.

The above objectives of privatisation were captured in one of the many statements of President Obasanjo‟s justifying the privatisation programme. According to Obasanjo, “We are privatizing for the benefit of our economic recovery and our social life... We want to remove the financial burden which these enterprises constitute on the public and release resources for the essential functions of government” (NCP, 2000).

The resumed privatisation programme under Privatisation and Commercialisation Act of 1999 had three phases, viz:

1. Phase I- Privatisation of Commercial and Merchant Banks and Cement plants that are already quoted on the Stock Exchange.
2. Phase II- Privatisation of Hotels and Motor/Vehicle Assembly Plants, etc.
3. Phase III- Privatisation of National Electric Power Authority (NEPA), Nigerian Telecommunication Company Limited (NITEL), National Company of Nigeria (NAFCON), Nigeria Airways; and Petroleum Refineries (Onyekpere & Chukwuemeka, 2003:21). By 2003 the first two phases had been concluded.

The Nigerian privatisation programme demonstrates that sound economic policies require far more than good intentions. The manipulation of the privatisation and commercialisation programme as a tool for PCA has seriously compromised the adumbrated objectives of the exercise. The Nigerian privatisation programme has proved Chong and Lopez-Silanes (2005) right in their view that:

Privatisation may be the last chance for politicians to appropriate cash flows or deliver favours that further their political objectives. This becomes inescaple given the cetral role politicians and politics plays in privatisation. The role of politicians in privatisation is central in three areas: the method of privatisation chosen, the restructuring of firms before they are sold off, and the types of contracts written.

In the case of Nigeria, a number of reasons most of which we found to be intricately linked with the nature and character of the state, and the crisis and contradictions of decadent peripheral capitalism are at the root of the failure of privatisation as a mechanism for capitalist development. As a consequence of the manipulation by comprador and petty bourgeois leadership of the Nigerian state it has become increasingly difficult to use privatisation as a basis for capitalist development.

Given the precarious material base of the indigenous bourgeoisie, a problem which made them highly dependent on the state for survival, the state superintendend over the privatisation programme has been adroitly manipulated for PCA by the comprador and petty bourgeois classes in Nigeria. Thus, the nature and character of the state as well as the orientation of its ruling class run counter to the stated objectives of privatisation in Nigeria.

The first major problem of the privatisation programme, which flows from the character of the state, is the abject lack of general consensus on the desirability of privatisation. Nigeria‟s privatisation programme for a**l** intents and purposes is rooted in authoritarianism. This has to do partly with the fact that the programme started initially under a military administration and has gone through three military governments.

However, under the Presidency of Chief Olusegun Obasanjo the fact of democratic government hardly changed this authoritarian disposition. The people are not deemed as an important variable in the privatisation calculation. It is the satisfaction and opinions of the international financial institutions as against the feelings and positions of majority

of Nigerians that continue to shape the privatisation programme. For instance, the Privatisation Shares Purchase Loan Scheme which was to assist Nigerians to purchase shares in the privatised enterprises never took off (Godwin, 2005). Similarly, the popular opposition against the privatisation of the Nigerian Security Minting and Printing Company (NSPMC) failed to dissuade government from the sale.

## Table 5.3: Some of the Privatised Enterprises under Obasanjo and their New Owners

|  |  |  |  |
| --- | --- | --- | --- |
| **S/N** | **Ente rprises** | **O wnership** | **Proceeds** |
| 1 | Ikoyi Hotel | Beta Consortium | N1.7 billion |
| 2 | Central Hotel, Kano | Dangote Industries Ltd | N1.6 billion |
| 3 | Abuja Int‟l Hotel | 99.97% FGN | \*\*\* 19 |
| 4 | Nigerian-Re-Insurance Co. Ltd. | 51% - Re-Insurance  49% - Acquisition Group | N1,005,999.99 |
| 5 | Nigerian Fertilizer Co. Ltd. | 100%-Sino-Africa Petrochemicals | $75 million |
| 6 | Nigerian Machine Tools | 85% FGN, 15% NMR | \*\*\*\*\*\* |
| 7 | Ashaka Cement Plc | Blue Circle Ind. (UK) 51%  Nigerian Public 49% |  |
| 8 | Benue Cement Plc | Dangote Industries Ltd 90% | N918.3 million |
| 9 | West Africa Refinery Ltd | Sierra Leone 27%  FGN 48.44 % UNIPETROL 24 % |  |
| 10 | UNIPETROL | Ocean and Oil Ltd 51%  Nigerian Public 49% | \*\*\*\*\* |
| 11 | National Oil and Chemical Marketing  Ltd. | Conpetrol 51%  Nigerian Public 49% | \*\*\*\*\* |
| 12 | Electric Meter Co. of Nigeria | Dantata Securities and Investment Ltd 51% | N400 million |
| 13 | Nigerdock | Global Energy/J. Mac Dermottee 51%  Initial Public Offer (IPO) 49% | N3.5 billion |
| 14 | Savanna Sugar Co. Ltd | Dangote Industries Ltd. 90% | N1.35 billion |
| 15 | Festac 77 Hotel Ltd | UAC Properties | N1.01 billion |
| 16 | Assurance Bank Ltd | Parmex/Gensec Consortium 90%  Staff 10% | N853.2m |
| 17 | Iwopin Pulm and Paper Co. | Beullah Technical Services Co. Ltd. 100% | N3,100,000.00 |
| 18 | Sheraton Hotels and Towers, Abuja | Hans Gremlin Nigeria Ltd | $32,500,000.00 |
| 19 | MV Abuja | Howe Robin Shipbrokers | $3,450,000.00 |

Sources: Onyekpere, E and N. Chukwuemeka (2003:21-22), *Preliminary Report (Literature review and Power Mapping)*. Lagos: Social Economic Rights Initiative[.w](http://www.srinitiative.org/)w[w.srinitiative.org.](http://www.srinitiative.org/)

Despite the aggressiveness with which privatisation was pursued under the Obasanjo administration, only feeble attempts were made to build popular support for the programme, such that the National Assembly which was largely dominated by the President‟s party, the Peoples‟ Democratic Party (PDP), on many occasions had cause to oppose the implementation. A good case was that of the Nigeria Security Printing

and Minting Company (NSPMC), for which the National Assembly placed advertisement in local and international media warning buyers of the risk of buying the enterprise. The opposition of the law-makers stemmed from the security and national interest considerations of the private ownership of such a highly sensitive organisation.

The second issue has to do with transparency and corruption. Paradoxically, this is one of the basic for the privatisation programme in the first instance. However, given the fact that the state is both a means and a modality for PCA the privatisation exercise has been perverted to serve the pecuniary interests of political and bureaucratic heavyweights and their foreign patrons.

This has equally affected the preferred privatisation modalities, especially under the Obasanjo government, which was based on selling SOEs to core or strategic investors. This sale modality was in opposition to giving preference to customers, workers and the general public through discounted share sales as was practised in the privatisation programme in the United Kingdom with the objective of creating “popular capitalism”. Even the criteria for the determination of a core investor are manipulated.

Section 4 of the Privatisation Act defines core or strategic investors as:

Formidable and experienced groups with the capabilities for adding value to an enterprise and making it operate profitably in the face of international competition. They should posses the capabilities of turning around the fortune of such an enterprise, if by the time of their investment, the enterprise is unhealthy.

However, in the implementation of the privatisation programme the need to promote accumulation and the complicity of the state with those interested in using the privatisation exercise as a mechanism for PCA prevented the compliance with strict criteria of determining a core or strategic investor. Consequently, ill-equipped and

unqualified “portfolio investors” are awarded the management and or ownership of

SOEs in Nigeria. Two very good examples in this regard are the management contract of NITEL given to Pentascope, and the eventual sale of NITEL to Transnational Corporation (TransCorp) by the President Obasanjo administration.

Pentascope International B.V., a Dutch company, was appointed to manage the NITEL and its sister company Mobil Telecommunication (M-TEL) by the Vice President Abubakar Atiku-led NCP despite its proven lack of requisite expertise, experience and resources. The BPE guidelines required a management consultant with experience in managing a network of one million lines and successful track record of growing networks in a developing country. Pentascope was awarded the contract to manage NITEL without fulfilling these qualifications.

As at February 2003 when Pentascope was given the management contract of NITEL by the BPE, Pentascope was not a quoted company in Netherlands. It share capital was also below five million Euro. The corporate headquarter of the company was later found to be an abandoned church building (Ojo, 2006). The opposition of many stakeholders against the appointment of this company was discountenanced. To cover its lack of requisite know-how and experience, Pentascope employed VWNB as a technical partner to manage NITEL.

The financial and operational profile of NITEL however plummeted following the management contract over NITEL by Pentascope. According to Ogbu (2005)

It is interesting to know that before 29 May, 1999, NITEL “recorded a turnover of N33.265 billion. Though there was some N 17.7 billion in the company‟s coffers, by March 31, 2004, a year after the expatriates came on board, NITEL had recorded a debt burden of N33 billion. And from a network of about 455, 000 functional lines in 2003, it dropped to 288, 000 lines.

A curious aspect of BPE contract with Pentascope over NITEL was the non-inclusion of any performance clause as a basis for payment. The Pentascope deal was one of the several collaborative ploys for PCA between members of the Nigerian comprador and petty-bourgeoisie in alliance with foreign capital. The Pentascope-NITEL deal was signed despite informed advice against it.

On 25th May 2005, the House of Representatives found Mallam Nasir el-Rufai the Director General of the BPE at the time of the Pentascope management deal guilty in the handling of the contract. He was consequently banned from holding public office for life. The ban was however lifted by Justice Anwuni Chikere of the Federal High Court, Abuja on the grounds that it violated the principle of fair hearing.

A second example was the sale of NITEL to TransCorp. TransCorp according to Odunlami (2006:20) was “the brain-wave of President Olusegun Obasanjo as his idea of a Nigerian mega corporation to march foreign companies in business deals in Nigeria and Africa”. The company was incorporated on 17th November, 2004, as a multi- sectoral conglomerate, with focus on agriculture and agro-allied business, oil and gas, power, information technology and international trade, and free trade zone/ industrial park.

On the Board of the company at inception were notable Nigerians in and outside government. These Board members were invited to the Board by President Obasanjo whose idea it was to found TransCorp as answer to the Nigeria‟s developmental state modelled after the East Asian examples.

Some of the Directors of TransCorp at inception were, Dr. (Mrs) Ndi Okereke-Onyiuke, the Director General of The Nigerian Stock Exchange (NSE), who was the first Chairman of the company; Mr. Bernard Ojeifo Longe, Managing Director; Mr. Nicholas Okoye, formerly Technical Adviser to Dr. Okereke-Onyiuke at the NSE, as TransCorp‟s Group Executive Director; Mr. Festus Odimegwu, a former Chief Executive Officer of the Nigerian Breweries Plc.

Other notable members of the TransCorp Board at takeoff were Alhaji Aliko Dangote, owner of the Dangote Group, a leading supporter and financier of Obasanjo political machinery, he is one of the biggest beneficiaries of the PCA of the privatisation programme; Mr. Femi Otedola, one of the new financial czar created by the privatisation and liberalisation programme, he is the Chief Executive Officer of Zenon Petroleum and Gas, he was also a major financier of the Obasanjo political machine. Apart from the contributions to the re-election of Obasanjo as president in 2003, Dangote and Otedola donated N211million and N200 million respectively to the Presidential Library project of Obasanjo in 2005 (Odunlami, 2006; Editorial, Guardian, 2005).

Not left out were key bankers and industrialists such as Jim Ovia, Managing Director/Chief Executive Officer of Zenith Bank Plc; Tony Elumelu, Managing Director of the United Bank of Africa (UBA); Jacob Moyo Ajekigbe, Managing Director/ Chief Executive Officer of the First Bank Plc, amongst others. President Obasanjo, through his company, Temperance Enterprise Limited is a major subscriber to TransCorp. Obasanjo is believed to own 200 million shares, valued in 2006 at N1.2 billion in TransCorp (Odunlami, 2006 ).

At inception, the state under the leadership of President Obasanjo set the stage for the use of TransCorp as a mechanism for PCA for himself and his cronies with a number of undue privileges given the companies, among which are:

1. Licence to build a 400,000 barrels per day refinery
2. Licence to build an independent power plant
3. Access to the federal government study report on cassava. The report includes plans for the construction of a cassava processing export facility.
4. Designated land mass for the construction of free port facilities
5. Continued support to help open up markeks on the African continent (Odunlami, 2006).

These unprecedented and undue privileges to TransCorp and the manipulated acquisition of NITEL confirmed its use as a mechanism for PCA and a platform for crony capitalism in Nigeria. To get TransCorp to own NITEL, the Obasanjo government revoked the Orascom International of Egypt winning bid of $256 million for government 51 percent in NITEL on the grounds that it was below the reserved price.

To favour TransCorp, competitive bidding was abandon in favour of „negotiated sale‟ (Odunlami, 2006). In addition, to privilege PCA through the TransCorp ownership of NITEL the Obasanjo government increased the percentage of the equity in NITEL on offer from 51 percent to 75 percent (Odunlami, 2006). Added to this was the

preferential treatment the privatisation agency accorded TransCorp through the right of first refusal in the sale of NITEL (Odunlami, 2006).

While the strict stipulation of the Act on qualification as core or strategic investors are technical competence, financial viability, capability to induce profitability and international competitiveness, managerial expertise, and not the least ability to add value, extraneous and sentimental considerations were advanced to qualify TransCorp to acquire NITEL as core investor.

Quoting the response of the Director-General of the BPE, Mrs. Irene Chigbue, in an interview on the issue of favouring TransCorp, Odunlami, (2006) reported thus:

We have looked at them all (the bidders). The Transnational Corporation was the most *vibrant in terms of consistent interest, in terms of appetite*, in terms of preliminary evidence of resources to fund and revamp NITEL. There was the emotional attachment to NITEL as *our collective asset. So, let a company with fairly broad representation acquire NITEL* (my emphasis).

The foregoing quotation begs the question. When did the mere fact of “consistent interest, in terms of appetite” and “fairly broad representation”, become the basis of privatisation of SOEs? To wit, TransCorp was still preparing to go to the Stock Market to raise capital, so it cannot be said that it had the capital to transform NITEL. In addition, were other privatised SOEs not „collective asset‟ or the common patrimony of Nigerians? Or in what ways is NITEL different from other privatised enterprises that it must be handed over to TransCorp?

The sale of government‟s 75 percent equity in NITEL to TransCorp at $750 mi**l** ion was considered by many as a classic case of fraud. With NITEL leadership in the fixed lines in the Nigerian Telecommunication market; M-Tel with one million subscribers and the fourth mobile telecommunication company as at the time; 7.33 percent equity in the

South Atlantic Telecommunication/West Africa Submarine Cable Organisation; SAT3/WASC; 6.91 percent share in the Regional Africa Satellite Organisation (RASCOM); 21 percent holding in the International Maritime Satellite Organisation (INMARSAT); and 0.07 shares in ICO Global Communication Ltd, I-CO (Odulami, 2006), was a give away to TransCorp and its owners. To Odulami (2006) NITEL was acquired by TransCorp “devoid of any encumbrances of debts”, given government directive to its parastatals and agencies to settle all outstanding indebtedness to NITEL before this sale to TransCorp.

It is worthy of note that NITEL‟s fortune has worsen after its sale to TransCorp. M-Tel, its mobile telecommunication unit is no longer in operation. The fixed lines are unable to cope with the challenges posed by private operators. Millions of Nigerians who bought into the TransCorp dream championed through government propaganda during the Initial Public Offer (IPO) of the company have lost their hard earned monies. The shares that was sold for N7.50k for a 0.50k share now sells for 0.50k on the Stock Market. NITEL sale to TransCorp has also been reversed by the new administration of President Umaru Yar‟Adua, with the BPE now shopping for a new core or strategic investor for NITEL.

Abati‟s prophetic position on TransCorp has been proved right. According to him (cited in Odunlami, 2006:27).

TransCorp is a bird of passage. It is just a collection of Obasanjo boys and girls trying to capture the Nigerian economy. Besides, it has no experience in telecommunication, no technical capacity. There are also moral issues. Its Chairman, Ndidi Okereke-Onyiuke is the Director – General of the Stock Exchange. She can be accused of a conflict of interest....

An interesting twist to the TransCorp story is that this corporation that was used to fleece Nigerians of their hard earned money has similarly been used by those charged

with its management as a device for PCA. At present, Thomas Iseghohi, Muhammed Buba and Mike Okoli, Group Managing Director, Company Secretary and Deputy General Manager, respectively, are being prosecuted by the EFCC in the Federal High Court, Maitama, Abuja on a 32 count charge of “criminal conspiracy, criminal breach of trust, money laundering and misappropriation of public funds to the tune of N15, 000,000,000.00 (Fifteen Bi**l** ion Naira)”. ([www.efcc.nigeria.org/index.phd?](http://www.efcc.nigeria.org/index.phd)).

## Other Privatisation related Accumulation under Obasanjo

The impeachment notice by the National Assembly on former President Olusegun Obasanjo linked Mr. Gbenga Obasanjo; the president‟s son, to the privatisation of NSPMC. Furthermore, the sale of AGIP oil to Sadiq Oil; generally believed to be owned by the former Vice-President, Alhaji Atiku Abubakar, the then Chairman of the NCP; the sale of Benue Cement to Alhaji Aliko Dangote; the controversial sale of both NICON hotel and Nigerian Airways, to Mr. Jimoh Ibrahim and the pervasive accusation of under-valuation of SOEs put up for privatisation by the Obasanjo administration are all evidence of nepotism, lack of transparency and corruption in the implementation of the privatisation programme.

In order to assist the Nigerian public to buy into some of the privatised companies a Privatisation Shares Purchase Loan Scheme was establised with $6.17 milllion. However, it was alleged that there was a shortfall of $1.10 million from the $6.17 million (what was deposited was $5.07 million) towards the Privatisation Shares Purchase Loan Scheme by the management of BPE to the consortium in – charge of the management of the loan (Godwin, 2005). The privatisation share loan scheme never tookoff and nothing has been heard of it since.

There was also another case of the sale of 28.7 percent shares of the African Petroleum (AP) owned by the NNPC Pension Fund Incorporation without following due process. In 2005, the NNPC acquired some shares of the AP through a debt-equity swap amounting to N10 billion to cover the debt owed it by the oil company. The agreement at the time that was extensively published was that the shares would later be sold to the Nigerian public (Agada, 2007; Ojo & Salimon, 2007). However, contrary to the letter of this agreement President Olusegun Obasanjo approved the sale of the shares to one of his cronies, Mr. Femi Otedola. With this sale, Mr. Femi Otedola became the owner of AP and a major player in the nation‟s oil industry.

The twilight of the Obasanjo administration also witnessed the illegal transfer and sale of SOEs to people that were connected to President Obasanjo. Amongst such deals that amounted to PCA were the sale of Port-Harcourt and Kaduna refineries, and Egbin Power Station. Alhaji Aliko Dangote and Mr. Femi Otedola, both friends of President Obasanjo, were the buyers of the Port-Harcourt and Kaduna refineries.

Added to these were the allocation of 18 oil blocs and up to 1000 mining concessions among other assets to different friends, associates and business interests of those in power (Ojukwu-Enendu, 2007). These sales were done in violation of due process. President Obasanjo violated the agreement with the PENGASSAN and NUPENG that only 51 percent equity of the Port-Harcourt and Kaduna refineries was to be sold to private investors. Added to this was the scandal involving the allocation of Federal Government choice houses in Lagos to serving government officials and their cronies at ridiculously cheap prices in the guise of monetisation policy by the administration. The income realised from the sales was not fully accounted for till date.

## The Failed Privatisation of the Nigerian Power Sector

Nigeria has very rich sources of energy supply made up of crude oil, natural gas, electricity, coal, biomass, solar, hydro, and wind. However, the lack of a development orientated energy policy and bad leadership have negatively robbed on the potential of the nation‟s power sector.

## Table 5:4 Nigeria’s Energy Profile:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Particular | | | Year | | Volume | Remarks |
| Oil Reserve | | | Jan. 2009E | 1, | 36.2 billion barrels |  |
| Oil Production | | | 2008E | | 2.17 million bpd | 90% crude (1.94 million) |
| Oil Consumption | | | 2008 E | | 286 bpd |  |
| Net Oil Export | | | 2008E | | 1,883 thousand bpd |  |
| Crude oil Refinning capacity | | | 2007E | | 505 thousand bpd |  |
| Proven Natural Gas Reserves | | | Jan. 2009E | 1, | 184 trillion cubic feet |  |
| Natural Gas Production | | | 2007E | | 1,204 billion cubic feet |  |
| Natural Gas Consumption | | | 2007E | | 456 billion cubic feet |  |
| Natural Gas Exports | | | 2007E | | 749 billion cubic feet |  |
| Recoverable Coal reserves | | | 2005E | | 209 million short tons |  |
| Coal Production | | | 2007E | | 0.009 million short tons |  |
| Electricity Installed Capacity | | | 2006E | | 5.96 gigawatts |  |
| Electicity Production | | | 2006E | | 22 billion kilowatt hour |  |
| Electricity Consumption | | | 2006E | | 16 billion kilowatts hour |  |
| Total Energy Consumption | | | 2006E | | 1 quadrillion Btus | 53% oil; 39 % Natural Gas; 7% Hydroelectricity; 0%  Coal; 0% Nuclear |
| Total Per  Consumption | Capital | Energy | 2006E | | 7.8 million Btus |  |
| Energy Intensity | | | 2006E | | 5,901 Btu per $2000 |  |

Source: Compiled by the author from data supplied by Nigeria Energy Data, Statistics and Analysis - Oil, Gas, Electricity, Coal file:///Z:/NewCABs/V6/Nigeria/Full.html accessed 1 August 2009.

Arguably, National Electric Power authority (NEPA) now known as the Power Holding Company of Nigeria (PHCN) is the most popular government institution in Nigeria. But paradoxically, this popularity flows from the unreliable service and the pains the company causes the Nigerian people. As a result of the poor service of the electricity company, Nigeria is the highest importer of generators in the world. Thus, generator has become the main source of electricity for majority of Nigerians.

The countries of East Asia, especially China, are the principal beneficiaries of this, with the production of cheap and portable generators for the Nigerian market. These portable and cheap generators are popularly known in Nigeria as *“I better pass my neighbour”*, underscoring the fact that the ownership of generator in Nigerian has become a status symbol. Virtually, all households in the urban centres of the country have and depend on generators for domestic power supplies despite the attendant health and environmental hazards. With an estimate of 60 million Nigerians owning generators gulping about N1.56 trillion of fuel annually, the country has become a dumping ground for all manners of generators (Yusuf, 2009).

The frustration of Nigerians with this major public utility provider engendered the translation of NEPA, the acronym of the National Electric Power Authority to “Never Expect Power Always” (Olukoju, 2004). Even with the change of the corporation‟s name in the process of privatisation to Power Holding Company of Nigeria (PHCN), Nigerians have interpreted this to mean, “Please hold candle now”; to underscore the fact that the privatisation exercise has not improved the Nigerian power sector.

By and large, as a result of daily frustrations with the power supply condition in the country, Nigerians are agreed on the need to reform the power sector. This seeming

consensus rather than being a result of belief in the workability of privatisation is a consequence of extreme frustration and the desperation to experiment with any system that holds the promise of stable and reliable power supply.

## Nigerian Power Sector: As It Was In the Beginning

The Nigerian power sector was a colonial creation. The establishment of the Ijora Power Station in Lagos by the Public Work Department (PWD) in 1898 (NEPA, 1999; PSRC, 2008), was not for compelling need to develop the colonial territory, but rather to provide some semblance of modernity and comfort for the colonial officers, white missionaries, merchant capitalists and officials of the imperialist trading companies domiciled in Nigeria.

Given the concern that informed the building of the power station, electricity supply was limited to the targeted population. However, with time the desire for modernity and the benefits of electricity compelled the Native and Municipal Authorities to establish their own power stations in different parts of Nigeria (NEPA, 1999). The year 1929 was significant in the history of the Nigerian electricity industry. The year marked the operation of the first electricity utility, the Nigerian Electricity Supply Company (NASCO) which got electricity from the hydropower station at Kurrafar Falls, Jos (National Electric Policy, 2001).

The need and challenge for the integration, coordination and distribution of electricity in Nigeria led to the establishment of the Electricity Corporation of Nigeria (ECN), through the Electricity Corporation of Nigeria Ordinance No. 15 of 1950. Under the new legislation electricity generation, transmission, distribution and sale all over

Nigeria became centralized under the statutory responsibility of the ECN (NEPA, 1999).

Twelve years after the ECN was established, the Federal Government by an Act of Parliament established the Niger Dams Authority (NDA) with the statutory responsibility for “the construction and maintenance of dams and other works on the River Niger and elsewhere” (NEPA, 1999:4). One of the reasons advanced for the establishment of the NDA was increased demand for electricity immediately after independence (PSRC, 2008). A milestone in electricity as a public utility was the construction of the 132kV transmission network for inter-city power supply in Nigeria, which in 1962 made it possible for the Ijora and Ibadan power stations to be linked.

Nigeria harvested a very high degree of power failure in spite of these two institutions charged with electricity supply for the country. The institutional rivalry, lack of cooperation and collaboration between the ECN and NDA did not make for efficiency and effectiveness in power generation and distribution in Nigeria. As a way out, the Federal Government retained Messer Shawmont Limited to undertake a study of the Nigerian electricity industry and make recommendations.

Following the report of Messer Shawmont Limited on the technical details of the ECN and NDA merger, the Federal Government through Decree No. 24 of 27th June 1972, with effective date of 1st April, 1972, created NEPA as a national electricity monopoly from a merger of the ECN and NDA. Eight months after its creation, NEPA became operational under a General Manager. The government charged NEPA with the onerous responsibility of electricity generation, transmission and distribution nationally with minimal charges to consumers (NEPA, 1999).

## The National Electric Power Authority (NEPA) and the Failure of Power Supply in Nigeria

At inception in 1972, NEPA had a total installed generating capacity of 523.6 MW, with national peak demand for electricity of 390MW. This was in addition to 1,262KM and 1,012KM of 330KV and 132KV lines complemented by another 15,000KM 415 volts network (NEPA, 1999). The Nigeria power sector has over the year undergone fundamental changes in terms of structure and capacity.

## Government Power Stations in Nigeria with Present Status

* + 1. Kainji Hydro Power Station

Following the Federal Government decision to ensure the “exploitation of the water resources of River Niger” (NEPA, 1999: 7) by the defunct ECN in 1951, construction work commended on the Kainji Hydro Power Station in 1962 and finalised in 1978 (PSRC, 2008). Kainji Dam had a total installed generating capacity of 760MW realised in three phases- 1968, 320MW; 1970, 200MW; and 1978, 240MW (NEPA, 1999). By May 2008, Kainji Hydro Power Station power production had gone down to 450 MW as a result of the need for major overhaul of 1G5 and 1G 7 as well as complete rehabilitation of the other units (PSRC, 2008).

* + 1. Jebba Hydro Electric Power Station

The station was commissioned with six turbines of 90MW each, in 1985. When fully operational the Jebba Hydro Power Station has the capacity to produce 578.4MW of electricity (NEPA, 1999). According to the PSRC (2008), the water

treatment plant for the power station requires major rehabilitation.

* + 1. Shiroro Electric Power Station

Located on Kaduna River, the Shiroro Electric Power Station was commissioned with four turbines in May 1990 with a generating power of 600MW of electricity made up of 150MW respectively from each of the turbines (NEPA, 1999; PSRC, 2008). According to the PSRC (2008), only one of the Digital governor systems of the Plant is functional, while aging Black Start generator for the Plant needs replacement. The Plant is also due for major overhaul.

* + 1. Afam Thermal Power Station

The power station, which is located in the Niger Delta region, was built in 1963 to capitalise on the natural gas in the region. The Afam Thermal Power Station has benefited from three different government expansions. These expansion are; Afam II, III and IV, and have resulted in increased capacity of the power station from the 210MW at its inception to 699MW (NEPA, 1999). Afam V with capacity for 276 MW was added in 2001 making the total capacity of the Afam Thermal Power Station to be 972MW. However, problems with its air fillers as well as the need for major overhaul of GT 19 and GT20, and maintenance of the others has reduced the output of the station as at May 2008 to 410MW (PSRC, 2008).

* + 1. Lagos Thermal Power Station, Egbin

Located in Ijede, Lagos state, this power station was commissioned on 13th May, 1986 with six fuel reheat steam electric units of 220MW each (NEPA, 1999), giving a total generating capacity of 1320MW. Effectively, however, as at May 2008, the production capacity of this Plant was 600MW (PSRC, 2008). The reason for this

shortfall in the production of the Egbin station according to PSRC (2008) is as follow:

Two (2) out of the six (6) units (ST3 and ST6) have major breakdown with their boilers, in addition to the following problems:

* + - 1. The instrument and control equipment and Flame Detectors needed to be upgraded or completely replaced.
      2. Water treatment plants have broken down.
      3. The heaters of unit ST4 are bad.
      4. The screening system has virtually collapsed and the cooling water system needs to be upgraded (PSRC, 2008).
    1. Delta Thermal Power Station

The Delta Power Station located at Ughelli, Delta state started operation in 1966 with total capacity of 72MW (PSRC, 2008). Like the AFAM Thermal Power Station, the Delta Power Station was expanded in Delta II, III and IV bringing the total capacity to 918MW. With faulty transformers and need for major overhaul of units GT16, GT17 and GT18, Delta Power Station as at May 2008 only produced 580MW (PSRC, 2008).

* + 1. Sapele Thermal Station

Sapele Power Station consists of six gas turbines with 120MW capacity each when fired operational. Under an expansion programme in 1985 four 75MW turbines fired by gas were added to the existing turbines at the station, thus increasing the

electricity supplies from the station when fully fired to 1020MW (NEPA, 1999). Inadequate funding has negatively affected the station and has made four of the six turbines non-functional.

Even the two functional units are not effective, given long interval between overhauls or non-overhauls (PSRC, 2008). To make the station generate 150MW the replacement of the generator vacuum systems, replacement of damaged rotors, strong flexible coupling, and overhaul of two units is suggested (PSRC, 2008).

* + 1. Ijora Thermal Power Station

This is the oldest thermal power station in Nigeria. It is however like a museum monument in celebration of the inefficiency and waste that the power sector in Nigeria has become. This power station which at inception was made up of steam turbines and coal fired boilers for electricity generation is now recognised through its derelict structure and inability to generate electricity. As at 1999, the Steam/Gas turbines could only generate 30MW of electricity.

* + 1. Oji Thermal Power Station

The Oji River Power Station in Enugu state, the only coal-powered Power Plant in Nigeria was commissioned in 1956. The Plant has four units:

* + - 1. Two (2) units with capacity for 5 MW each and together making 10 MW.
      2. Two (2) units with capacity for 10 MW each and together making 20 MW.

The four units of the power station have an installed capacity for 30 MW. The Oji Power Plant is currently not in working condition.

* + 1. Geregu Power Plant

The Geregu Power Plant, located in Ajaokuta, Kogi state, has an installed capacity of 414MW. The power plant is one of the National Independent Power Project (NIPP) by the Obasanjo administration. As at March 2008 the plant is not yet operational contrary to the promise of the Obasanjo administration in 2005 that the plant would be supplying electricity to Nigerians within 18 months (Guardian, 2008, March 18).

* + 1. Omotosho Power Plant

The Plant constructed at a cost of $170 million is located in Omotosho, Ondo state. Though the installed capacity of the Plant is 335MW, the generating capacity of this Plant is 309MW. Inadequate supply of gas makes the Plant as at May 2008 to depend mainly on power generation only from two units at the same time. Therefore as at May 2008, the power generating output of the Omotosho Power Plant was below 304MW (PSRC, 2008).

* + 1. Olorunsogo Power Plant

The Plant is located in Olorunsogo, Ogun state. The capacity of the Plant is put at 335MW while its actual generating capacity is 309MW (PSRC, 2008). It is noteworthy that this plant is not operational because the the Chinese company charged with its construction, SPECO did not supply enough spare parts for the

plant, and worse sti**l** , major parts of the plants were labe**l** ed in „Chinese‟ as we**l**

as the manual. And this has led to the parlous situation of the condition of the power plant.

## National Electricity Transmission Network

According to the PSRC (2008), the electricity transmission lines are made up of:

* 4,889.3km of 330KV
* 6,319.33km of 132KV
* 62.5km of 66KV (Enugu regional network) The sub-stations consist of:
* 21 No 330/132KV with total capacity at 6,098MVA and
* 99 No 132/33/11KV with total capacity at 8,107.5MVA.

The national electricity transmission network depends on radial transmission network, which made it susceptible to line losses and incessant blackouts and system collapse (PSRC, 2008). This condition is not helped by the fact that transformers (power, current and voltage), and circuit breaker are old and in very bad condition.

## National Electricity Distribution

New distribution companies were recently created out of the former zones of NEPA. Two of the newly created distribution companies are from the old Lagos zone which account for about sixty per cent of electricity consumption nationwide. All together 11 distribution companies are operational in Nigeria. The companies were initially granted partial autonomy in January 2004 and full autonomy in June 2006 when the successor

company of NEPA, the PHCN was fully unbundled and registered as a Public Limited Liability Company under the Company and Allied Act (CAC). The distribution companies are:

S/N Distribution Companies Area covered (State)

* + 1. Abuja FCT, Niger, Kogi, Nassarawa
    2. Benin Edo, Delta, Ondo, Ekiti
    3. Eko Lagos South
    4. Enugu Enugu, Imo, Anambra, Abia, Ebonyi
    5. Ibadan Oyo, Ogun, Osun, Kwara
    6. Ikeja Lagos North
    7. Jos Plateau, Benue, Bauchi, Gombe
    8. Kaduna Kaduna, Kebbi, Sokoto, Zamfara
    9. Kano Kano, Jigawa, Kastina
    10. Port-Harcourt Akwa-Ibom, Cross-River, Rivers, Bayelsa
    11. Yola Adamawa, Borno, Taraba, Yobe

The Final Report of the PSRC (2008) clearly shows that the distribution network also has serious operational problems some of which the Committee identified as:

1. Faulty distribution transformers and vandalised lines. The implication of this is that many customers are without power supply.
2. Overloaded 33KV and 11KV lines, distribution transformers, feeder pillars and LT lines. The implication of this is that several customers are on power supply rationing during load periods.
3. Aged and obsolete equipment whose performances can no longer be guaranteed.

Some of these equipment have been phased out by their manufacturers, thus making spares unavailable (PSRC, 2008).

## Condition of Nigerian Power Sector by 1999

Nigeria power situation is alarming and one of the worst in the world especially given the enormous resources from oil (See Tables 5.5; 5.6).

## Table 5.5: Africa Rating List 2009

**Electrical Energy Production in African Countries**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| S/N | Country | Population (Million) | Electrical Energy  Production (Megawatts) | Planned improvement  (Megawatts) | Electrical Energy  Consumption per million people |
| 1 | South Africa | 44 | 40,000 | 80,000 by 2025 | 4.2 |
| 2 | Libya | 5.5 | 4,710 | 12,000 by 2011 | 3.33 |
| 3 | Botswana | 1.7 | 434 | 700 by 2011 | 0.92 |
| 4 | Egypt | 81 | 14,250 | 16,700 by 2015 | 1 |
| 5 | Kenya | 31 | 22,000 | 29,000 by 2015 | 0.8 |
| 6 | Cote D‟Ivoire | 16 | 8,900 | 12,000 by 2010 | 1 |
| 7 | Algeria | 33 | 6,188 | 8,200 by 2011 | 0.71 |
| 8 | Morocco | 34 | 3,592 | N/A | 0.45 |
| 9 | Zimbabwe | 12.8 | 2,000 | 6000 by 2010 | 0.44 |
| 10 | Ghana | 20 | 2,000 | 6,000 by 2010 | 0.43 |
| 11 | Somalia | 9 | 800 | N/A | 0.4 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 12 | Liberia | 3 | 200 | 500 | 0.22 |
| 13 | Senegal | 12 | 221 | N/A | 0.2 |
| 14 | The Gambia | 1.7 | 100 | N/A | 0.011 |
| 15 | Uganda | 25 | 270 | 2000 by 2025 | 0.01 |
| 16 | Nigeria | 140 | 1,800 | N/A | 0.06 |

NA = Not Available.

Source: Country Website. Adapted from *Tell* (2009, July 27: 23).

From Table 5.5 above the Nigeria‟s energy production compared with many other African nations is appalling given available resources. Nigeria was only marginally better than countries such as Uganda, Senegal and even just 0.2 better than war-torn Somalia.

## Table 5.6: Global Rating List

**Electical Energy Production and Consumption by Country**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| S/N | Country | Population 2004 | GDP (PPP) | GDP  Capital (PPP) | Electrical Energy Production (Kilowatts) | E. Energy Consumption Per Million  People |  | |
| US$ Billion | US$ |
| 1 | Canada | 32,507,874 | 958.7 | 29,800 | 612.6 | 15.5 |
| 2 | USA | 293,027,571 | 10,990.00 | 37,800 | 41,167.00 | 12.3 |
| 3 | Australia | 19,913,144 | 571.4 | 29,000 | 198.2 | 9.26 |  |  |
| 4 | Japan | 127,333,002 | 3,582.00 | 28,200 | 1,982.00 | 7.6 |  | |
| 5 | France | 60,424,213 | 1,661.00 | 27,600 | 537.9 | 6.9 |
| 6 | UK | 60,270,708 | 1,666.00 | 27,700 | 371 | 5.7 |
| 7 | Germany | 82,422,609 | 2,271.00 | 27,600 | 544.8 | 6.2 |
| 8 | Taiwan | 22,749,838 | 528.6 | 23,400 | 216.6 | 6.2 |
| 9 | S. Korea | 48,598,175 | 857.8 | 17,800 | 412.7 | 5.6 |
| 10 | Russia | 143,782,338 | 1,282.00 | 8,900 | 964.2 | 5.4 |
| 11 | Spain | 40,280,780 | 885.5 | 22,000 | 287.4 | 5.2 |
| 12 | Italy | 58,057,477 | 1,550.00 | 26,700 | 292.1 | 5 |
| 13 | S. Africa | 42,718,530 | 456.7 | 10,700 | 264 | 4.2 |
| 14 | Libya | 5,631,585 | 35 | 6,400 | 23.98 | 3.33 |
| 15 | Venezuela | 25,017,387 | 117.9 | 4,800 | 87.6 | 2.9 |
| 16 | Malaysia | 23,522,482 | 207.8 | 9,000 | 243.3 | 1.8 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 17 | Chile | 15,823,957 | 154.7 | 9,900 | 50.3 | 2.54 |
| 18 | Argentina | 39,144,753 | 435.5 | 11,200 | 109.4 | 2.4 |
| 19 | Mexico | 104,959,594 | 941.2 | 9,000 | 243.3 | 1.8 |
| 20 | Brazil | 184,101,109 | 1,375.00 | 7,600 | 437.7 | 1.8 |
| 21 | Iran | 69,018,924 | 435.5 | 7,000 | 189.9 | 1.7 |
| 22 | China | 1,298,847,624 | 6,449.00 | 5,000 | 3,256.00 | 1 |
| 23 | Botswana | 1,561,973 | 14.2 | 9,000 | 434 | 1 |
| 24 | Colombia | 42,310,775 | 263.2 | 6,300 | 51.8 | 0.94 |
| 25 | Egypt | 76,117,421 | 295.2 | 4000 | 109.1 | 0.92 |
| 26 | Kenya | 32,021,856 | 33 | 1000 | 22.03 | 0.8 |
| 27 | Algeria | 32,129,324 | 196 | 6000 | 33.12 | 0.71 |
| 28 | Peru | 27,544,305 | 146 | 5,100 | 24.59 | 0.7 |
| 29 | India | 1,065,070,607 | 3,033.00 | 2,900 | 665.3 | 0.47 |
| 30 | Morocco | 32,209,101 | 128.3 | 4,000 | 21.88 | 0.45 |
| 31 | Ghana | 20,452,952 | 44.4 | 2,200 | 8.2 | 0.43 |
| 32 | Paraguay | 6,191,368 | 28.17 | 4,700 | 70 | 0.43 |
| 33 | Indonesia | 238,452,952 | 758.8 | 3,200 | 125.7 | 0.37 |
| 34 | Uganda | 26,404,543 | 36.1 | 1,400 | 1.93 | 0.061 |
| 35 | Liberia | 3,200,264 | 27.2 | 700 | 1 | 0.022 |
| 36 | Nigeria | 137,253,133 | 114.8 | 900 | 15.67 | 0.06 |

Sources: CIA Fact Book website, December 2006/2007. Adapted from *Tell* (2009, July 27: 21).

The privatisation of NEPA and the delivery of a reliable and efficient power supply were the major thrust of the programme of the Obasanjo‟s administration when it was inaugurated on 29th May, 1999. The need to improve power efficiency is better appreciated when Nigeria‟s ranking in electricity generation and consumption in Africa and globally as shown in Tables 5.5 and 5.6 above is considered. Adekeye (2009) comments on the comparative performance of other nations thus:

Finland, a country of 5.2 million people by a 2007 report generates about 12,078 MW, selling 2,836 MW to its neighbour, Russia. Also as at that year, Canada was generating a total of 108,533 MW for a population of 33 million people. Each province, territory in Canada generates its own power. As at last year, the province of Alberta, made up of three million Canadians, was generating 9,774 MW, while the province of Ontario made up of 12 million people was generating 27,2335 MW, far above the whole power generated in West Africa.

As at the time the administration of President Olusegun Obasanjo assumed power on 29th May, 2009, although NEPA had an installed capacity of 6000 MW, complimented with a transmission capacity of 4000 MW, national power generation was only 1520 MW. And of the 79 generating units of NEPA only 19 were working. This condition cannot be separated by the neglect, lack of attention and corruption in the running of the nation‟s power sector for many years.

Since Shiroro Power Station was constructed in 1987 no other power station has been built despite the economic growth by 50 percent and increased population. Furhtermore, all the power stations in Nigeria are very old. Kainji was commissioned 40 years ago, Jebba about 30 years, Egbin 23 years old, Delta power station 23 years, and Ughelli 20 years.

The Obasanjo government promised to change the fortunes of NEPA to the delight of Nigerians. Within six months power generation was to be increased by 56.25 percent, from 1600 MW to 2500 MW. The administration‟s first Minister of Power and Steel, Chief Ajibola Ige, put in place the “Power Creed” as the agenda for radical transformation of the nation‟s sick power sector to the delight of most Nigerians.

According to this creed, Chief Ige hoped to achieve the following milestone in the Nigerian power sector: “.... cut down the incidence of wanton power failure by 50 percent in six months, by 75 percent in 12 months and by almost 100 percent in 24 months” (Ige, 1999). Later in the life of the Obasanjo administration, a target of 10,000 MW by the end of 2007 was set by the Minister of Energy Dr. Edmund Daukoru.

As events unfolded, it became obvious that the government underestimated the crisis associated with electricity generation in Nigeria and the vested interests that make for inefficiency in the sector. As President Obasanjo was later to lament, “.... we did not know what NEPA was. How bad it was and what shape it was and who was running what. It (NEPA) was a den of corruption” (Adeleye, 2005: C1).

According to NEPA (1999:44): Other factors which are critical to generation are predicated on the following facts:

1. 36% of installed capacity are over 20 years old, or
2. 48% of installed capacity are over 15 years old, or
3. 80% of installed capacities are 10 years old.

Given the old age and the lack of Turn Around Maintenance (TAM) it is a miracle that these power stations still supply any power at all.

## Causes of Power Crisis

* + 1. **Funding**

At the root of the problems of the Nigerian electricity sector are the issues of neglect and the use of the sector as a major tool of PCA by actors within and outside the state. According to *Financial Standard* (2009:62):

Since the commissioning of the Shiroro Hydro-Electric Dam in 1990 and the Delta IV power station in March 1991, government has not built additional stations. This puts the commissioning dates of the PHCN giant plants between 1959 and 1991.

Consequently, about 36 per cent of the PHCN‟s installed generation capacity is over 25 years old, 48 per cent over 2o years and 70 per cent over 17 years [as at 2007].

Even, the Turn-around maintenance schedules of the existing power plants were not carried out. The nation‟s power sector was seriously starved of funds. Table 5.7 graphically shows the history of underfunding of the electric power sector in Nigeria.

## Table 5.7: Federal Budgetary Allocation to the Electric Power Sector 1973-2001

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **In Naira** | **In US$** | **Additional Capacity (MW)** | **Peak Capacity (MW)** |
| 1973 | 1,392,552 |  | - | 398.10 |
| 1974 | 25,350,000 | 15,796,360.92 | - | 398.10 |
| 1975 | 115,013,000 | 71,083,436.34 | 120 | 518.10 |
| 1976 | 160,000,000 | 100,496,199.99 | 335.60 | 853.70 |
| 1977 | 207,079,989 | 134,223,482.63 | - | 853.70 |
| 1978 | 509,210,000 | 324,193,034.95 | 1,190 | 2,043.70 |
| 1979 | 540,000,000 | 326,173,621.01 | - | 2,043.70 |
| 1980 | 370,000,000 | 203,341,393.71 | - | 2,043.70 |
| 1981 | 222,481,000 | 136,726,278.27 | 300 | 2,343.70 |
| 1982 | 112,370,280 | 75,843,871.49 | 312 | 2,655.70 |
| 1983 | 111,530,000 | 8,356,706.76 | - | 2,655.70 |
| 1984 | 167,571,370 | 128,436,705.76 | - | 2,655.70 |
| 1985 | 110,189,433 | 98,931,076.46 | 440 | 3,095.70 |
| 1986 | 17,666,660 | 10,640,002.41 | 980 | 4,075.70 |
| 1987 | 282,303,446 | 69,142,875.63 | 440 | 4,515.70 |
| 1988 | 143,596,149 | 31,818,335.70 | - | 4,515.70 |
| 1989 | 14,922,058 | 2,005,464.27 | 150 | 4,665.70 |
| 1990 | 15,000,000 | 1,853,591.02 | 1,050 | 5,715.70 |
| 1991 | 26,625,513 | 2,678,407.47 | - | 5,715.70 |
| 1992 | 23,750,000 | 1,359,971.60 | - | 5,715.70 |
| 1993 | 152,203,000 | 6,921,873.51 | - | 5,715.70 |
| 1994 | 142,425,639 | 6,475,069.97 | - | 5,715.70 |
| 1995 | 1,426,276,710 | 18,603,698.24 | - | 5,715.70 |
| 1996 | 1,179,199,250 | 14,440,158.78 | - | 5,715.70 |
| 1997 | 1,000,000,000 | 12,191,880.70 | - | 5,715.70 |
| 1998 | 2,700,000,000 | 32,060,378.00 | - | 5,715.70 |
| 1999 | 2,481,000,000 | 26,748,576.32 | - | 5,715.70 |
| 2000 | 22,962,834,721 | 224,893,881.22 | - | 5,715.70 |
| 2001 | 51,045,300,000 | 446,981,611.21 | 546 | 6,261.70 |

Source: *The Punch*, (2002, August 12: 40-41, cited in Olukoju, 2004:64).

Note: The exchange rates varied significantly during this period and this factor should be taken into consideration when comparing the respective annual budgetary allocations to the sector.

## Supply- Demand Gap

There was serious mis-match in the demand and supply condition in the country. Despite economic growth and increased population nothing was done by successive governments, between 1979 and 1999 to ensure the development of the nation‟s power

sector to a condition where it can act as bedrock of the nation‟s capitalist development.

## Weak Transmission Network

Long radial with overloaded transformers and obsolete components and communication tools resulting in the lost of the limited power generated before getting to the end-users.

## Weak Distribution Network

With very poor voltage profile due to overloaded distribution transformers, bad feeder pillars and sub-standard distribution lines, electricity distribution has been a major problem of the Nigerian power sector (PSRC, 2008).

## Maintenance Problem

Maintenance is a major problem of most Nigerian institutions. This has been particularly evident in the nation‟s power sector. For instance, Egbin Power Plant which contributes 40 percent to the national grid is supposed to be overhauled every four to six years. The overhauling was left undone for twenty-two years due to poor funding, corruption and poor maintenance culture. Corruption has been a major problem of ensuring proper maintenance and contract performance generally in Nigeria.

## Conspiracy of Private Vested Interests

A number of vested interests that are involved in PCA through the inefficiency of the nation‟s power sector personified by the generators and diesel oligarchy engaged technical and non-technical measures to ensure that the power sector fail to work. Quoting a CBN source, Adekeye (2009) notes “that last January [2009], 15 Nigerian firms imported generators worth $8.2 million (about N1.180 billion) in the first week of the month”.

In the course of interviews for this study, a number of people in the Nigerian power sector revealed how some companies dealing in generators and diesel weekly bribe officials of the PHCN with millions of Naira not to supply power at Apapa and Ikeja areas of Lagos state, for instance (Field Interview, 2008, September 2). These are two areas of high industrial concentration.

## The Effects of the Power Crisis on National Development

The power sector crisis in Nigeria has seriously affected the national capitalist development and negatively impacted on the welfare of Nigerians. The serious imbalance between the demand for and supply of power continued to impose avoidable cost on economic activities and makes productivity low. This has not been helped by the monopoly status of PHCN, which is manifested in uncaring behaviour of officials of the electricity authority (Olukoju, 2004).

This inefficiency in public monopolistic power provisioning in an economy with very large informal sector and highly dependent on electricity, underdevelopment of productive forces and scarce capital for business have adversely impacted on productivity and constrained capitalist development possibilities. Some illustrations are relevant in this regard.

Most hit by the poor services of the Nigerian power monopoly are the nation‟s manufacturing and industrial sectors who, as a result of the failure of public power supply, resort to use of generators. In a study conducted in 1987, on *Cost of Infrastructure Deficiencies in Manufacturing in Indonesia, Nigeria and Thailand*, it was discovered that Nigerian companies, big and small (less than fifty employees) that depend on generators as alternative to public electricity respectively spend an average

of 10 percent and 22 percent of the value of machinery and equipment respectively on generators and accessories (Lee, Anas & Oh, 1996). The study further finds that for these companies, 37 percent of the electricity they consumed was generated by own generators.

Lee, Anas and Oh (1996: 19) also notes that in 1987 “ the average NEPA price was 7

kobo per kWh, 1.74 US cent at the exchange rate of 4 Naira to the Dollar. This means that the average unit cost of privately generated electricity for Nigerian sample firm was

40 times higher than NEPA price, 260 times for the sma**l** producers”. The implication of this for the cost profile of these business concerns is worrisome.

As at 2006, Honeywell Flour Mill Limited, according to Mr. Emmanuel Ukpabi, its Managing Director/Chief Executive Officer, used 600,000 litres of diesel monthly at N72 per litre apart from the cost of maintaining its 1400 Kva generator (Ekeoba, 2006). In another report, Mr. Ukpabi claims that the company employed over fifty men to attend to the Honeywell generators (*Business Day*, 2007). When the wages of these workers and the maintenance cost are added to other production costs the implications for corporate viability and survival in particular, and the Nigerian economy in general cannot be over-emphasised.

Moreover, it has been estimated that Nigeria loses billion of American dollars annually in lost manpower hours and the frustration of start-ups and small-scale industries due to power outages. Bayo Ligali, the Chief Executive of Zain, one of the GSM companies as quoted by Adekeye (2009):

... this industry [telecommunication] is presently (sic) the highest user of generators (over 9,000 in 2007, at purchase and maintenance cost of N80 billion) and diesel, conservatively put at 200

million litres in 2007. The sum of the foregoing is that the cost of generating power for each base is 35 per cent of its total construction costs and about 68 per cent of its operating cost.

As a way out, the GSM companies are investing $1billion in alternative energy project.

The Murtala Mohammed International Airport, Lagos, is not spared of the epileptic power situation of the electricity in the country. In July 2008, the drop of public power supply to the airport from 15MW to 5MW, made the airport authority to shop for N8 billion for generator procurement (Kolajo, 2008). Similarly, According to the Vice Chancellor of the Olabisi Onabajo University (OOU), Ago-Iwoye, in Ogun State, said the University spends N8 billion annually on procurement of diesel (*Nigerian Tribune*, 2008).

Furthermore, on 5th March, 2007, the authority of the University, University of Ibadan was forced by the terrible power situation on campus to issue a special release entitled “*Current Electricity Crisis”* postponing the University‟s second semester examinations by one week among other measures embarked up to ration of electricity on campus (see Appendix 2)

The National Assembly, the Presidency, Ministries and government agencies were appropriated several billions of Naira for the purchase of diesel and generator maintenance for the provision of power in the face of the failure of public power supply (Adekeye, 2009). According to Ugeh (2009), N796.4 billion was spent by Nigerians for fueling generators annually, an amount equivalent to N796.7 billion which the federal government budgeted for capital expenditure for 2009.

Consequently, high cost of production, industrial shutdowns, unemployment, mass poverty, and other associated problems are closely associated with the power sector‟s

inefficiency. For instance, Michelin Tyre in the early part of 2007 was forced out of Nigeria to relocate its plant in Ghana, while its competitor, Dunlop according to Adekeye (2009) has scaled down its manufacturing operations in preference for tyre importation as well as divestment into real estate due to high cost of production. Many other Nigerian businesses have since followed the Michelin example.

It is in this regard that Iwayemi (2008) declares that, “Unquestionably, Nigeria‟s electricity crisis significantly undermined the effort to achieve sustained economic growth, competitiveness in regional and global markets, employment generation and poverty a**l** eviation”. The public provision of electricity has failed or fa**l** en below minimum expectations in terms of service reliability, dependability and adequacy. Hence, the desire to subject the Nigerian power sector to reform was welcome largely by Nigerians.

## Nigeria’s Power Sector Reform Under Obasanjo

Electricity is available to just forty per cent of Nigerians. To meet the estimated 20,000 MW electricity need of the nation by 2010 would entail the generation of 25,000 MW of electricity (NEPP, 2001). According to the Federal Ministry of Information and National Orientation (n.d):

Every Nigerian knows about NEPA‟s (now PHCN) epiletic supply of power and poor quality. The rationale behind the reform therefore is to improve electricity supply and increase access to electricity. Currently, less than 50% of Nigerians have access to electricity. Available generating capacity (capacity utilization) is in the region of 50 percent of total installed capacity of 6000MW, which is grossly inadequate for a country of the size of Nigeria with a population of

150 million people compared with South Africa‟s 41,000MW and 40 million people respectively.

For the PSRC (2008: 9), “The poor access to electricity could be gleaned from the fact that only 426 out of the 774 Local Government Councils were connected to the national

grid”. Even at that, only the headquarters of most of the affected Local Governments were so connected. Therefore, against the background of demand-supply gap the question for Nigerians was not the desirability of reform but what manner of reform and at what cost?

The former President Obasanjo‟s promise to the nation to embark on power sector reform was thus welcome to most Nigerians. Under the NEEDS programme, the Obasanjo administration committed itself to infrastructural transformation with particular and bphasis on the power sector. According to the National Planning Commission (2004:13), “NEEDS emphasises the critical importance of improving infrastructure. More and more reliable electricity and a new and better maintained network of roads will encourage businesses to expand”.

The BPE was charged with the task of privatising the Nigerian power sector through the unbundling of the national power authority and introduction of competition into the power sector. BPE promised to privatise NEPA between July 2001 and December 2002. The process of privatising the Nigerian power sector preceded the BPE. The liberalisation process of the Nigerian power sector dated back to 1990 with the enactment of a new Electricity Act as the nation moved towards the privatisation of electricity under the auspices of the TCPC.

However, it was not until the 1998 amendment to the 1990 Electricity Act that the regime of electricity liberalisation started in Nigeria, with the emergence of Independent Power Producers (IPPs) as players in the hitherto state dominated industry. In order to achieve its own task of reform in the Nigerian power sector, the BPE first carried out some radical reforms in the power sector.

Reforms became imperative according to the NEPP (2001:215) for the following reasons:

1. Attract and encourage private sector participation
2. Attract capital to fund the sector and
3. Ensure a level playing ground for all investors.

The power sector reform was not without opposition, especially from workers within the industry. Some of the issues and objection raised against the privatisation of the Nigerian power sector by the National Union of Electric Employees (NUEE) are as follows:

1. That the problem of electricity in Nigeria is not that of manpower but of obsolete equipment. NEPA was operating like other government business, including government itself in Nigeria, so why privatise NEPA and leave a similarly inefficient government unprivatised.
2. How do we determine the value of NEPA?
3. What happened to the $2 billion collected from NEPA pension?
4. What would be the fate of NEPA‟s workers, 20,000 of whom the BPE Chairman promised to lay-off.
5. Queried the rationale for spending N75 million for the refurbishment of NEPA before its privatisation.
6. BPE‟s inaction over the collection of the over N5 billion owed NEPA by Federal government agencies.
7. Conspiracy to cover up past and present looters responsible for the woes of NEPA through privatisation.
8. Privatisation would make electricity unaffordable to about 70 percent of Nigerians who do not enjoy electricity.
9. Privatisation would widen the gap between the haves and have-nots.
10. Total NEPA capacity when fully operational is 5400 mw as against the 20000 MW required by the country in 2010. The difference,the Union argued, is what the private sector should fill rather than privatise NEPA.
11. There is national security concern given the sensitive nature of the power sector.
12. Privatisation would replace government monopoly with private monopoly in the Nigerian power sector.
13. That the BPE over-exaggerated the capacity of the Nigerian private sector, which is as corrupt, and inefficient as the public sector it seeks to supplant.
14. That Nigeria‟s problem is not government, but governance.
15. The power sector without privatisation will deliver with autonomous Board made up of credible and professional Nigerian appointed to run the nation‟s power sector.

From the positon of the NUEE, it is clear why the nation‟s power sector remains the way it is as a consequence of it use by members of the Nigeria comprador and petty bourgeois classes for primitive accumulation. Also, the welfare implication of the privatisation of the power sector on the Nigeria people which should be the cornerstone of any government programme is not taken into consideration. It can thus be seen that what drives the privatisation of the power sector is class interest rather than economic rationality.

The appointment by the BPE of PriceWaterhouseCopper (PWC) consortium in November 2001 with the responsibility to prepare the restructuring and unbundling blueprint of NEPA signalled the commencement of electricity privatisation in Nigeria. The PWC blueprint entailed the division of the NEPA into six Generator Companies (Gencos); one Transmission Company (Transcos), to take care of system and market operation simultaneously; and eleven Distribution/ Marketing Companies (Discos). These Discos reflected the zones of NEPA, but with Lagos, which comsumes 45 per cent of NEPA supply produced two companies. The NCP approved this blueprint on 26th August, 2002.

Following the approval of the blueprint for the reform, actions were taken in quick and programmatic successions. In March 2005, the Electricity Reform Act was enacted. While inputs were sought from the workers unions, and these were graciously provided, the final Act however failed to take account of the well-reasoned inputs of the electricity workers as contained in the position of their Unions.

In 2005, NEPA was formerly changed to the PHCN. The establishment of the Nigerian Electricity Regulatory Commission (NERC) followed. The eighteen successor

Companies created out of the PHCN are as follows: seven generator companies, one transmission companies and eleven companies in-charge of electricity distribution. These companies were also registered with the Corporate Affairs Commission (CAC), in November 2005. The establishment of the NERC came next. Immediately, the NCP approved the stage-by-stage privatisation of the generation, transmission and distribution companies to handle the electricity business in Nigeria. This is however yet to take place.

In addition to this, the government planned to do a number of maintenance as well as build new power stations to complement existing ones in order to meet its target of 10,000MW of electricity by 2007. For this, the government obtained from the World Bank $100 million credit for the upgrading of PHCN transmission lines. All these provided veritable platform for the use of electricity privatisation in Nigeria as a mechanism for PCA (NLC, 2008). However, investigation into the power sector reform is still on-going hence it is impossible to determine how much of the funds went to private pockets.

## Power Sector Privatisation and Primitive Capital Accumulation:

Priority action to enable the unbundling and privatisation of the electricity power sector set by the National Electricity Power Policy (NEPP, 2001) provided a major platform for corruption and PCA in the power sector privatisation in Nigeria. The task the Nigerian government set for itself as priority precedent to unbundling and privatisation are:

* + 1. Improvement in electricity supply through the conclusion of Emergency Power Programme (EPP) contacts;
    2. Putting out the Tender for some of NEPA‟s existing Power Stations as Rehabilitate, Operate and Transfer (ROT) projects;
    3. Carrying out essential investments as proposed in NEPA‟s Action Plan, with agreement both on essential priorities and on what is to be financed by Government, as opposed to what is to be financed by the new owners;
    4. Repairing and upgrading the system control and communications facilities;
    5. Priority strengthening of the transmission network to be able to support new contact markets for bulk power;
    6. Developing a strategy for the equitable treatment of NEPA‟s employees during the reform process; and
    7. Developing a public awareness and public relation strategy (NEPP, 2001:233).

BPE promised to privatise NEPA between July 2001 and December 2002. This is yet to be done. The privatisation of the power sector has been put on hold as a result of the class forces that are not favourably disposed to the exercise. One of the respondents used for our elite interviewing who was involved in the Lagos Independent Power Project (IPP) predicted that the power sector privatisation cannot be carried through because of vested regional interests for whom the power sector serve as a platform for PCA accumulation (Field Interview, 2008, August 10).

Contracts under the power sector reform were awarded to several non-existing companies. The House of Representatives announced that $6.2b was paid to contractors under the National Integrated Power Projects (NIPP) that have no record of registration with the CAC. The companies involved are: Special Projects, Matdol, Zumo, Trakis, Acqua Combined, Akpo International, Loomash, Aktra, Charley B Ceremic, Alfa DDL, Tee Unique, Earnesco Galv, NTTC, Space Master, Eternity, Tajkay, Elektrak, Suchu Chase, Sassy Fund, Unihead Nigeria Limited, Riverroacks, Danatec, Paulwells, Felden, Network, Ikelomu Group, Bristosin, International Merchant, Chrisob, Bangasa, Aolat Nigeria Limited, Chris Ejik and international Limited.

The controversial sale of Egbin Power Plant built by Marubeni to Korea Electric Power Company (KEPCO) for $280 million by the BPE was one of the sore points of the privatisation in the Nigerian power sector, especially given that KEPCO was not one of the initial companies that expressed interest. More surprising was the fact that the plant was producing as at the time of the sale to KEPCO.

The Senior Staff Association and National Union of Electricity Workers (SSANUEW) queried “why a plant presently producing 800 MW with a recent $28 mi**l** ion contract awarded for rehabilitation of the exploded boilers that will add another 440 MW to the system besides the initial $50 million contact awarded for upgrade of the same plant, should be sold for a paltry $280 mi**l** ion” (*Business Day,* 2007, Editorial).

The power sector reform in Nigeria was also not freed from inefficiency and waste as the case of the $404 million eight gas turbines with a combined capacity of 902 MW imported for the country by General Electric Corporation (GEC) clearly shows. These gas turbines were to be distributed among the seven power stations being built by the

NIPP. It is alleged that these gas turbines are very old being the ones used during the Vietnamese war of 1970s (Field Interview, 2008). Carrying these gas turbines from the port to where they would be used has proved to be a big problem due to lack of consideration of condition of roads as well as political factor evident in policy somersault of the Alhaji Musa Yar‟Adua‟s administration in the nation‟s power sector.

No doubt the neglected power sector received the needed attention under Olusegun Obasanjo. Several billion of Naira was pumped into the power sector to deliver on the administration‟s promise to increase the generating capacity to 10,000 MW by 2007. However, the billion of Naira spent on the power sector has not resulted in stable and reliable power supply to Nigerians. Rather accusations of corruption dogged the power sector under Obasanjo.

Though the Report of the Honourable Ndidi Elumelu-led Power Sector Committee of the House of Representatives which alleged that over $16 billion dollars was expended on the power sector by the Obasanjo‟s administration with no improvement in public power supply had been discredited and dumped, the Report was nonetheless an eye opener to accumulation in the name of power sector reform.

One of the several revelations from the power sector probe by the House of Representatives was the discovery of the award of a contract for the feasibility study of the 2,600MW Mambilla Hydro Electric Power Project to a WB blacklisted company, Lameyer of German on account of corrupt practices (Ayorinde, 2008).

Furthermore, the upgrading of the nation‟s transmission line for which $100 mi**l** ion loan was obtained from the WB was not implemented. Similarly, the repairs of the

generating units across the country were yet to be completed despite colossal amount spent on them. The power sector reform was characterised by lack of transparency and accountability. The Nigerian Labour Congress in a release dated May 2008 on large scale corruption under the guise of power sector reform (see Appendix 3) quoted the former Finance Minister, Dr. Ngozi Okonjo-Iweala to the effect that President Obasanjo sanctioned the exclusion of power sector transactions from the administration‟s due process protocol (NLC, 2008).

The NLC in the same document implicates the former Nigerian President, Chief Olusegun Obasanjo for awarding the contract for the pre-paid meter to a Chinese company that acted as a front for the President. The disappearance from site after misappropriating N4.5 billion of the N5.9 billion for the construction of the New- Haven-Ikot Ekpene 330kva Switching sub-Station by Paym Bargh and Carpalark Engineering Services was another case that shows how the reform of Nigeria‟s power sector has become a platform for indiscriminate accumulation for the politically connected. All that the company did for the N4.5billion it collected was a fence work! (NLC, 2008).

From the foregoing it can be seen that the privatisation of the Nigerian power sector is positively correlated to PCA. This is fallout of the contradictions of capitalist development that has bedevilled the Nigerian state since independence. The power sector privatisation under president Obasanjo demonstrated that the programme has become a victim of the very problem it is supposed to solve.

This development underscore the futility of neo-liberal privatisation for promoting a new circle of accumulation and capitalist development in Nigeria. It is thus clear that

the crisis of accumulation and development in Nigeria cannot be disassociated from the crisis of peripheral and dependent capitalism which must be confronted as a condition for development.

## Conclusion

In this chapter, we examined how the nature and character of the Nigerian state, the subordinate condition of the petty bourgeois ruling class to foreign capital and their reliance on PCA as the mechanism for survival, reproduction and institutionalisation of hegemonic rule.

The nature and ideology of reform embarked upon to mitigate the crisis and character of capitalism in Nigeria was examined. We found that the reform through privatisation, which on the long-run contradicts the need to resolve the crisis of development in Nigeria.

On the domestic plane, we showed how the enforced reform regime was a frontal attack on the conventional modes of PCA. However, given that the only mechanism for class survival and hegemonic control of the Nigerian political economy by the domestic ruling class is through PCA, this class charged with the management and implementation of reform subverted and perverted the reform process and manipulated it as a new device for PCA with the state mediating it. Extensive evidence were adduced to back this assertion from what happened with the financial liberalisation in the banking sector, the arbitrage regime in the foreign exchange market, and in the privatisation programme in the power sector.

Reform has been a failure in Nigeria. Rather than addressing the problems of PCA as well as the crisis and contradictions of capitalist development, the reform has worsened it. Using state power, the comprador and petty bourgeois classes politically manipulated economic reform as a new platform for PCA especially through the financial liberalisation and privatisation.

The failure of neo-liberal reform in Nigeria is associated with the nature of the reform itself, and its failure to factor the structural context of dependent capitalism in Nigeria amongst other things into the reform equation. Flowing from the above analysis, what is required in Nigeria is a radical re-engineering aimed at fundamental transformation of the state, with a genuine people-centred national development.

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## CHAPTER SIX

**DATA PRESENTATION AND ANALYSIS III**

## DEMOCRACY AND ACCUMULATION

*“It [corruption]is massive. $140 billion ... that is the African Union‟s estimate of the cost of corruption to Africa annually. This is about 25 percent of total GDP of sub-Saharan Africa”*- Nuhu Ribadu

## Introduction

The end of the Cold War gave the leeway to the institutionalisation of global hegemony of the United States of America. Given America‟s new found love for „soft power‟, as against „hard power‟ that defined the era of the Cold War, American global hegemony was masked and continues to be marketed to the Third World as democracy. However, America‟s preference was not a new brand of democracy that has the capacity to liberate Third World nations from their age-old strangulation, oppression and exploitation in the international capitalist system. On the contrary, America favoured multi-party market-based democracy, with all its implications for disempowerment of the African people.

It was not an accident that the movement from authoritarianism to “democracy” in the Third World was largely as a result of the WB and IMF political conditionality for loans and debt-rescheduling. The mantra behind this insistence was that democracy would promote good governance, accountability and transparency.

What these international financial intermediaries achieved is the externalisation of accountability and disempowerment of the popular masses in shaping the destiny of their various nations. With little or no need to account to the people in the context of market democracy and its high preference for the rich, as the Nigerian experience

clearly shows, those who captured political power were only interested in election and

accountability to their external mentors. Having rendered the masses irrelevant in national affairs, politicians, bureaucrats and their associates, transformed the state into a prize for their market-political investments which they regained through PCA.

From the beginning of the democratisation process under General Babangida, to the swearing-in of President Olusegun Obasanjo on 29th May, 1999, and the transfer of power to President Musa Yar‟ Adua, on 29th May, 2007, the treasury of the Nigerian state was looted by its leaders, politicians, bureaucrats and their associates and cronies, within and without Nigeria.

## Democratisation and Accumulation under Babangida

Olagunju, Jinadu and Oyovbaire (1993), three of the intellectual marksmen behind the General Ibrahim Babangida‟s Political Transition Programme (PTP) advanced two reasons for the administration‟s political project which for us provides justification for the consideration of democratisation in the context of the crisis and contradictions of capitalism and accumulation in Nigeria.

The two justifications advanced by Olagunju, et al (1993: 13-14) are that:

* + 1. “The liberalisation of the political market-place to make it more competitive is analogous to the liberalisation of the economic market-place to ensure more competition and more efficient allocation and use of resources.
    2. ...African transitions offer strategic opportunities to reconceptualise notions of the African state and to rethink and redesign macroeconomic policies and the orientation and redirection of African political economies in line with this

reconceptualization. This is a major focus of the transition programme of the Babangida Administration ...”.

The democratisation project of the Babangida administration was first given policy expression in the 1986 Budget Speech which similarly articulated the administrations adjustment programme (Olagunju, et al, 1993). The Babangida administration transition to civil rule programme which culminated in the annulment of the June 12 presidential election believed to have been won by a member of the domestic petty bourgeoisie, Chief M. K. O. Abiola. The transition programme was marked by large-scale deceit, fraud, corruption and authoritarianism. Momoh and Adejumobi (1999: 44) posit that “... the PTP was put in place as a diversionary mechanism of grafting a personal rule and facilitating capital accumulation by an emergent „leisure class,‟ which essentia**l** y is not engaged in production, manufacturing or agriculture”.

The PTP which was designed to ensure the self-succession of President Babangida brought to the fore the crisis and contradictions of dependent capitalism in Nigeria just as in many ways accentuated it. The management of the economy was subordinated to the politics of self-succession. The proliferation of transitional agencies such as the Mass Movement for Social Mobilisation (MAMSER), the Political Bureau, the National Election Commission (NEC), the Centre for Democratic Studies (CDS), the Constituent Assembly, the two government political parties, namely Social Democratic Party (SDP) and National Republican Convention (NRC), among other agencies, provided the platform for accumulation for members of the political class in Nigeria.

The Babangida transition programme was the longest and most expensive political transition programme anywhere in the world (Diamond, Kirk-Greene & Oyeleye, 1997). In spite of the colossal public fund pumped into the Babangida‟s transition programme (see Tables 6.1; 6.2; 6.3), the programme was a monumental failure. Diamond, et al (1997: xvii) captured this when they submitted that:

... the military‟s political transition programme in Nigeria mus t be judged a sweeping and unambiguous failure. It failed to return the country to civil rule (much less to democracy). It failed to bring forth a new political culture. It failed to control corruption and improve accountability. It failed to mitigate ethnic, regional, and religious conflict and cleavage. Despite initial strong commitment to liberalisation, in the end it failed miserably to reform and revitalize the economy.

## Table 6.1: Summary of Budgetary and Extra-Budgetary Allocation (1987-1991) National Electoral Commission (NEC)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Recurrent Subvention | Capital Subvention | Voters Registration | Elections | States &Local Govts. | NEC LGA  Buildings | Grants to Pol. Parties | Total |
| (N) | (N) | (N) | Subvention | (N) | (N) | (N) |
|  |  |  | (N) |  |  |  |
| 1987 | 14,500,000.00 |  |  | 200,000,000.00 |  |  |  | 240,977,0 |
| 1988 | 42,500,000.00 | 15,400,000.00 |  | 7,113,079.00 |  |  |  | 65,013,07 |
| 1989 | 40,000,000.00 | 95,448,628.00 | 43,700,000.00 | 277,919,204.00 | 29,114,344.00 |  |  | 486,182,1 |
| 1990 | 69,000.000.00 | 59,499,265.00 |  | 86,165,950.00 | 3,091,155.00 | 100,000,000.00 | 539,980,65  6.20 | 857,737,0 |
| 1991 | 102,000,000.00 | 80,783,984.00 | 171,005,000.00 | 282,164,160.00 | 5,055,520.00 | 79,000,000.00 | 200,000,00  0.00 | 920,008,6 |
| Total | 268,000,000.00 | 251,131,877.00 | 214,705,000.00 | 846,246,314.00 | 70,851,184.00 | 179,000,000.00 | 739,980,65  6.20 | 2,569,918 |

Source: Olagunju, T., A. Jinadu and S. Oyovbaire (1993:257), *Transition to Democracy in Nigeria (1985-1993)*. London: Safari Books Limited.

## Table 6.2: Summary of Subvention for 1990&1991

**Centre for Democratic Studies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Recurrent  N | Capital  N | Subvention  N | Special Grant  N | Total  N |
| 1990 |  |  | 1,600,000.00 | 8,495,605.00 | 10,095,605.00 |
| 1991 | 16,497,490.00 | 3,000,000.00 |  |  | 19,497,490.00 |
| Total | 16,497,490.00 | 3,000,000.00 | 1,600,000.00 | 8,495,605.00 | 29,593,095.00 |

Source: Olagunju, T., et al. (1993:259), *Transition to Democracy in Nigeria (1985- 1993)*. London: Safari Books Limited.

## Table 6.3 Summary of Subvention/ Grants (1987-1991) Directorate for Social Mobilization

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Capital  N | Recurrent  N | Total  N |
| 1987 |  | 20,500,000.00 | 20,500,000.00 |
| 1988 | 12,704,865.00 | 61,217,885.00 | 73,922,750.00 |
| 1989 | 11,600,800.00 | 84,390,000.00 | 95,990,800.00 |
| 1990 | 7,000,000.00 | 92,311,770.00 | 99,311,700.00 |
| 1991 | 7,929,444.00 | 92,766,890.00 | 100,696,334.00 |
| Total | 39,235,109.00 | 351,186,545.00 | 390,421,654.00 |

Source: Olagunju, T. et al. (1993:260), *Transition to Democracy in Nigeria (1985- 1993)*. London: Safari Books Limited.

Following the cancellation of the 1992 Presidential Party primaries, and the desperate need to garner political support across the nation, General Babangida embarked on an elaborate settlement scheme through the return of property ceased from corrupt public officials and their business associates in the private sector by previous administrations. This legitimation of property acquired through PCA was carried out by Babangida through Decree No 24, 1993, Forfeiture of Assets (Release of Certain Forfeited Properties, etc), and Decree No 50, 1993, Forfeiture of Assets (Release of Certain Forfeited Properties, etc).

Beneficiaries of Decree No 24 1993 according to Gboyega (1996: 11) were: (i)Alhaji Usman; (ii)Mrs Fatima Usman Faruk; (iii) Mr. Ukpabi Asika; (iv) Mr. Jonathan Gomwalk; (v) Alhaji Kam Salem; (vi) Dr. Okechukwu Ikejiani; (vii) Dr. J. E. Adetoro;

(viii) Mr. Philip Asiodu; (ix) Captain J. M. Din; (x) Mr. J. D. Gomwalk; (xi) Late Musa Usman; (xii) Alhaji Audu Bako; (xiii) Mrs Helen Gomwalk; (xiv) Alhaji A. Howeidy;

(xv) Sunday Adelere; (xvi) Sufraini Omotayo Disu, and (xvii) Brigadier Mobolaji Johnson.

Those whose property were returned under Decree 50, 1993 (Gboyega, 1996:11) include: (i) Brigadier S. O. Ogebmudia; (ii) Mr. J. O. Adeyemi-Bero; (iii) Alhaji S. A. Tanko Yakassai; (v) Lady Oyinkan Abayomi; (vi) Musa Yohanna; (vii) Alhaji Mohammadu Inuwa Dutse; (viii) Chief S. A. Tinubu; (xiv) Chief Ukpabi Asika; (x) Late Audu Bako; (xi) Chief E. I. Ijewere; (xii) Dr. Christopher Okogie; (xiii) Ojukwu Transport Limited.

The most damning case of PCA under the Babangida administration was the $12.4 billion oil windfall resulting from the Gulf War, which was paid on the order of General Babangida into Dedicated Accounts. According to the Pius Okigbo Committee Report on the Reform and Reorganisation of the CBN set-up by General Sanni Abacha, $12.2 billion of the $12.4 billion amounted to wasteful expenditure. According to the Okigbo Report(1994):

Between September, 1988 and 30th June, 1994, US$12.4 billion had been recorded in these accounts. That US $ 12.2 billion was liquidated in less than six years; that they were spent on what could neither be adjudged genuine high priority nor truly regenerative investments; that neither the President nor the Governor accounted to anyone for these massive extra -budgetary expenditure; that these disbursements were clandestinely undertaken while the country was openly reeling with a crushing external debt overhang – these represent, Sir, no matter the initial justification for creating the accounts, a gross abuse of public trust. Had these resources of US$

12.4 billion, or even only a significant portion, been paid into the external reserves, the impact on the naira/dollar foreign exchange rate today, on the credibility of Nigeria and on the environment for foreign investment, etc would have been incalculable.

Babangida further promoted his PCA scheme through Decree 52 of 1993, known as the Land (Title Vesting etc). On the strength of Decree 52, General Babangida took over the Osborne land, Ikoyi, Lagos, which belonged to the Lagos State Government. These lands were allocated to some influential members of the government and other supporters of his self-succession plan. The enabling Decree was backdated to January 1975, it ousted court jurisdiction and annulled any judgements that might predate the Decree (*The News*, 1994).

## General Sanni Abacha: Bare-Faced Accumulation

General Sanni Abacha took the reins of power after Babangida‟s forced exit and the fa**l** of the Chief Ernest Shonekan-led Interim National Government (ING), under which he was the Secretary of Defence. The ING was the political contraption put in place by General Babangida on the heels of the crisis which followed the annulment of the June 12, presidential election. General Abacha took a cue from Babangida‟s primitive accumulation ways. He manipulated the politics and economy of Nigeria for the purpose of remaining in power despite the promise to return power to the acclaimed winner of the June 12 1993, presidential election after the problems relating to the annulment must have been sorted out.

A confounding paradox of the Nigerian condition is that overt commitment to corruption has never precluded high-scale covert corruption by political incumbents. Immediately after the bloodless overthrow of Chief Shonekan-led ING, one of the legitimation schemes of the General Sanni Abacha government was a frontal attack on

corruption. Many panels were set-up to probe different government agencies such as

NEPA, Nigerian Port Authority (NPA), Nigerian Airports Authority (NAA), the CBN, NITEL and the Customs Service.

General Abacha promulgated The Failed Bank (Recovery of Debts) and Financial Malpractices in Banks Decree No. 18 of 1994. Under this Decree, owners and management staff of failed banks suspected of corruptly enriching themselves were tried and jailed by the Failed Bank Tribunals (Reno, 1998). The trial of Alhaji Ibrahim Dasuki, the desposed Sultan of Sokoto, on account of unliquidated indebted of N775 million to two liquidated banks, Alpha Merchant Bank and Republic Bank by Nigercafe and Foods (West Africa) Ltd and Afro Continental (Nigeria) Ltd on whose Boards he served (Osaghae, 2002), gave the impression of the administration‟s determination to fight corruption. Similarly, sanctions were imposed by the government on state officials indicted by probe panels.

In spite of the administration‟s puritan public display, General Sanni Abacha, as events later demonstrated, was himself not above board as far as corruption was concerned. Under General Abacha, public funds were criminally diverted to private accounts belonging to him, his family, friends and associates. According to Ribadu (2009), General Sanni Abacha stole between $5-6 bi**l** ion during his rule as Nigeria‟s Head of State.

Alhaji Ismaila Gwarzo, the National Security Adviser under General Abacha revealed how he assisted General Sanni Abacha to collect foreign currencies from the CBN. Table 6:4 shows the monies Alhaji Gwarzo collected for General Abacha from the CBN through his Personal Assistant between June 1996 and December1997.

## Table 6.4: General Sanni Abacha Loot through the CBN, February 1995- December 1997

|  |  |  |  |
| --- | --- | --- | --- |
| S/N | Date | Amount/ Currency Requested | Remarks |
| 1 | Feb. 15, 1995 | $4 million; £2 million | Total demand met. |
| 2 | Feb. 17, 1995 | $4 million; £2 million | Total demand met. |
| 3 | Feb. 27, 1995 | $4 million; £2 million | Total demand met. |
| 4 | July 18, 1995 | $5 million; £2 million plus another $2 million  in traveller‟s cheque | Total demand met. |
| 5 | Dec. 29, 1995 | $ 5 million | Total demand met. |
| 6 | March 28, 1996 | $3.801 million out of $5 million demanded  and £3 million | Total request for US$ not given due to shortage  of forex at the CBN |
| 7 | May 29, 1996 | $5 million; £ 5 million. | CBN short of £. CBN Governor sent $12.5  million to Abacha |
| 8 | June 20, 1996 | $10 million and £5 million | Total demand met. |
| 9 | August 20, 1996 | $30 million and £15 million | Total demand met. |
| 10 | Sept. 24, 1996 | $50 million | Total demand met. |
| 11 | Sept. 30, 1996 | $50 million | Total demand met. |
| 12 | Oct. 14, 1996 | $5 million | Total demand met. |
| 13 | Nov. 11, 1996 | $5 million; £3 million | Total demand met. |
| 14 | Feb. 18, 1997 | $6 million | Total demand met. |
| 15 | Feb. 28, 1997 | $3 million | Total demand met. |
| 16 | March 3, 1997 | $3.27 million | Total demand met. |
| 17 | March 6, 1997 | $1.21 million | Total demand met. |
| 18 | April 22, 1997 | $60 million | Total demand met. |
| 19 | April 28, 1997 | $60 million; £30 million | Total demand met. |
| 20 | June 30, 1997 | $4.9 million | Total demand met. |
| 21 | July 9, 1997 | $5 million; £2 million | Total demand met. |
| 22 | August 8, 1997 | $10 million | Total demand met. |
| 23 | Oct. 18,1997 | $12.3 million | Total demand met. |
| 24 | Oct. 23, 1997 | £5.88 million | Total demand met. |
| 25 | Oct. 29, 1997 | £11.76 million | Total demand met. |
| 26 | Nov. 14, 1997 | £10 million | Total demand met. |
| 27 | Nov. 26, 1997 | $24 million | Total demand met. |
| 28 | Dec. 10, 1997 | $24 million | Total demand met. |
| 29 | Dec. 18, 1997 | £6.15 million | Total demand met. |

Source: Compiled from Adebanjo (2002).

Abacha‟s loot was stashed in over 130 bank accounts mostly in the western world (Adebanjo, 2002). He was however not alone in the crime. The military and police officers that were sent to the different states as Administrators between 17th November and 8th December, 1993 did not perform poorly in terms of their corruption profile. When the scale of corruption perpetuated by these administrators is placed side-by-side the short duration of their tenure they were extra-ordinary in corruption.

Expressing public amazement, Aguda (1998:59-60) notes:

For example how is it that Colonel Coker of Kano State spent N1.850m for security; how did Police Commissioner Ali spent (sic) N26.82m in his second day in Yobe State as care-taker; how did Police Commissioner Ahonkhai spend N115.84m out of a total of N125.247 in the accounts of Akwa-Ibom State within those few days and spend N1.140m for a reception for person subsequently appointed to administer the State; how did Colonel Olorogun come to divert N1.6m of Sokoto State money to an Army Brigade, and to convert a brand new Peugeot 504 brought from State money to his own personal property; and how did Colonel Nimyel come to release the sum of N47.2m to contractors on his second day in charge (sic).

Abacha‟s commitment to democratisation and democracy was built on the inelegant legacy of his military predecessor, General Babangida. International opposition to General Sanni Abacha‟s self-succession agenda notwithstanding, General Abacha did everything he could to transmute into a civilian president until he died on 8th June, 1998. It therefore became the task of General Abdusalam Abubakar, who took over as Head of State to organise and hand over power to a civilian President on 29th May, 1999.

With the winner of the June 12, 1993 Presidential election, Chief M. K. O. Abiola declared dead in state custody under controversial circumstances, the stage was set for another electoral contest for state power by the political class. General Olusegun Obasanjo (Rtd.), presidential candidate of the Peoples Democratic Party (PDP) won the presiential election conducted by the General Abubakar administration to return Nigeria to civil rule. General Abubakar only released General Obasanjo (Rtd.) from jail where he was serving prison sentence on account of a phantom coup orchestrated by General Sanni Abacha some months before the 1999 general elections.

It needs be noted that the transitional government of General Abubakar was historic for its high-scale corruption. As result of the Christopher Kolade Panel on contract awards set up by President Olusegun Obasanjo on return to civil rule, most of the contracts

awarded under the administration of General Abubakar were revoked on account of their being inflated and improperly awarded. President Obasanjo cancelled over N106 billion worth of such contracts (Agbo, 2007).

According to Agbo (2007), the Kolade Panel indicted General Abubakar for “flagrant award of contracts and indiscriminate allocation of foreign exchange” at the official rate of N22 to a dollar between 1 January and 29 May 1999”. Oil blocks were indiscriminately allocated to members of the government, retired bureaucrats and military officers, politicians, and influential members of the Nigerian petty bourgeoisie.

Some high-ranking officials of the administration were similarly indicted. The four Service Chiefs namely, Al-Amin Daggash, former Chief of Defence, Lieutenant- General Ishaya Bamaiyi, former Chief of Army Staff, Vice-Admiral Jubril Ayinla, former Chief of Naval Staff, and Air Marshal Nsikak Eduok, Chief of Air Staff, were all indicted by the Kolade Panel. Included on the list of those indicted by the Kolade Panel was Major General Mamman Kontagora, Minister of the Federal Capital Territory (Agbo, 2007).

* 1. **Market Democracy, Political Corruption and Accumulation in Nigeria** Nigeria and corruption could rightly be said to be twin. According to Ribadu (2009:2), “Between 1960 and 1999, Nigerian officials had stolen or wasted more than $440 billion. That is six times the Marshall Plan, the total sum needed to rebuild devastated Europe in the aftermath of the Second World War”. As at 2007 there were close to 1000 corruption-related cases being prosecuted in Nigerian courts by the Economic and

Financial Crimes Commission (EFCC) of which about 275 had been successfully prosecuted with convictions (Ribadu, 2009).

Given the weak material base of the indigenous ruling class and the stranglehold of foreign capital over the Nigerian economy, corruption has been consistently used as a mechanism for PCA. To Smith (2007:8), “It is not an exaggeration to say that it [corruption] is the national pastime”. Historica**l** y, corruption is one of the legacies of colonialism. As Osoba (1996:371) argues, “In Nigeria it [corruption] became the principal means of private accumulation during the decolonisation period, in the absence of other means, and came to shape political activity and competition after independence”.

As a consequence of the predatory nature of colonial rule and its authoritarian disposition, colonialism engendered the crisis of accumulation, which threatened the essence of colonial imperialism. The colonial power used corruption in different forms as tool for the resolution of the accumulation crisis and co-optation of opponents of colonialism. The established tradition of using corruption as a preferred mechanism for accumulation in Nigeria became institutionalised by the indigenous classes that inherited the neo-colonial state at independence in 1960.

The endemic nature of corruption in Nigeria provides the logic for the assertion that Nigeria is notoriously corrupt (Smith, 2007). Similarly, former President Olusegun Obasanjo avers:

The story of my country Nigeria is fairly well known. Until 1999, the country had practically institutionalised corruption as the foundation of governance. Hence, institutions of society easily decayed to unprecedented proportions as opportunities were privatised by the powerful (Obasanjo, cited in Okojie & Momoh, 2007a:243).

This condition did not change under Obasanjo‟s administration as we have shown. With President Obasanjo himself not in the least above board. Corruption in Nigeria entails the conversion of political privileges and power into economic power. For Duggan (2009), the multiplicity of the manifestation of corruption in Nigeria could be classified under extortion, capture, and theft. While exortion entails the bureaucrats obtaining money for the performance of tasks the public have paid them to perform, capture according to Duggan (2009:8), “ ..., is a form of corruption in which firms make payments in an effort to subvert state rules and institutions”. Capture as corruption strategy cost Nigeria financial lost of about $300 million every year (Duggan, 2009). Finally, theft involved directly of looting state resources by bureaucrats and politicians charged with state management at all levels.

According to Szeftel (2000), “In the context of underdevelopment, local accumulation rests heavily on political power and the ability it provides to appropriate public resources”. In this wise, access to state power is used by members of the dominant class in Nigeria to redress the inadequacy of economic power which flows from the dependent nature of the state aptly expressed in the dominance of foreign capital, weak economic power of indigenous capital and the underdevelopment of capitalist relations of production in the economy.

The pervasive nature of corruption in Nigeria is closely linked to the underdeveloped nature of the Nigerian political economy which accorded the state primacy in capital accumulation, a condition that is negatively complemented by the exclusive power of the Nigerian state over national resources and thier distribution. Such power for the

distribution of resources which characterised the prebendal state in Nigeria is essential for its continued reproduction (Lewis, 1994).

As Lewis (1994) further states, there is a continuous struggle by the political- commercial class which surround the state to corner and order the distributive power of the state in Nigeria for their own interests. Corruption derives its utility in Nigeria from this concern. Olukoshi (1991) advances the argument that the weakness and underdevelopment of the market in the Third World imposes on the post-colonial state the task of championing development. Corruption thus finds expression in the drive for national development through the instrumentality of the state.

The point at issue is that the introduction of state capitalism is a result of the weakness of the domestic bourgeoisie and their desire to take economic control over the domestic economy and advance particularistic interests. This flows from the impossibility of the domestic accumulating class to embrace the classical capitalist mode of accumulation which is based on expropriation of surplus value. In this context, Ekuerhare (1984:6-7) submits that:

We should also note that, although the weakness of the domestic private capitalist model of accumulation provides the raison d‟être for the inauguration of the state capitalist model of accumulation, the operation of the model provides domestic private capitalists with the opportunities to flourish in the economy. In this connection, institutional preconditions are often created for the formal alliances among the domestic private capitalists, the foreign capitalists and the bureaucratic capitalists, alliances which are increasingly required for the intensification of the process of surplus extraction from surplus utilization in, and surplus expatriation from the economy.

As a primary mechanism for PCA, corruption is not only linked with the crisis and contradictions of capitalist development, it has further compounded this crisis and contradictions by engendering unproductive accumulation. Corruption seriously undermined domestic capitalist development in Nigeria. For instance, this finds

practical expression in (i) the inadequate provision and poor quality of infrastructure and public utilities, (ii) the high cost of provision of public utilities and (iii) the high cost of doing business in Nigeria.

Abba, et al (1985:58 cited in Iyayi, 1986:37) submit in relations to imports into Nigeria that, “of the over N11.9 bn taken out of Nigeria in 1981 to pay for imports, the real value of the actual imports amounted to N2.97bn”. Similarly, according to Agbaegbu, (2000) the Iguwa Inuwa Commission of Enquiry into failed contracts set-up by President Olusegun Obasanjo to look into contracts between 1st January, 1976 to 31st December, 1998, implicated Lieutenant-General Jerry Oseni (rtd.), Mr. Silas Daniyan and Alhaji M. T. Liman, a**l** ministers under General Sanni Abacha in “contract scam tota**l** ing about 70 bi**l** ion”.

Agbaegbu (2000) notes:

A project-by-project analysis of performance level of the contracts showed that virtually all the 20 projects assessed by the commission of enquiry either failed or were non-performing because the contracts were not completed during their initial conceptualization period and within the specified amount initially awarded.

Table 6.5 and Table 6.6 below shows the comparative cost of road construction in Nigeria and neighbouring countries as we**l** as Nigeria‟s position in terms of infrastructure in a ranking involving 131 nations. The data are quite instructive as to the extent and effects of corruption in Nigeria. The high cost of infrastructure in Nigeria contrasst sharply with the poor qualities of the infrastructure.

## Table 6.5: Comparative Unit Cost of Building and Civil Engineering Projects, Between Nigeria, Algeria and Kenya

|  |  |  |  |
| --- | --- | --- | --- |
| Project type | Nigeria | Algeria | Kenya |
| Residential Building | N350.00/M2 | N313.00/M2 | N132.00/M2 |
| Multi-Story Office  Block | N450.00/M2 | - | N207.00/M2 |
| Single  Carriage Road (2 lanes) | N294,000  per km\* | N149.252  per km | N105,353  per km |
| Dual Carriageway Road (4 lanes) | N800,000 – N1,200,000  per km\* | N587,015 | N278,961  per km |

\* These are 1977 figures

Sources: Federal Republic of Nigeria, *Report of the Ministerial Committee on the Causes of Excessively High Cost of Government Contracts in Nigeria.* Apapa: Federal Government Press. Adapted from Abba, et al, (1985:62), *Nigerian Economic Crises, Causes and Solution*. Zaria: ASUU.

Infrastructural problems have impacted on the crisis and contradictions of capitalist development in Nigeria. Banjoko (2009:28) establishes a correlation between the inability of Nigerian economy in the last decades to grow beyond 5.0 percent and the poor state of infrastructure nationally. This, he argues, is because poor infrastructure in Nigeria have acted as disincentive to investment.

## Table 6.6: Infrastructure: Nigeria’s World Ranking Out of 131 Countries

|  |  |
| --- | --- |
| Items | Position |
| Quality of Electricity Supply | 128th |
| Quality of Port Infrastructure | 127th |
| Quality of railroad Infrastructure | 122nd |
| Quality of overall Infrastructure | 120th |

|  |  |
| --- | --- |
| Quality of road | 114th |
| Available seat kilometre (hard data) | 113th |
| Quality of air transport infrastructure | 102th |
| Telephone lines (hard data) | 89th |

Source: Global Competitiveness Index 2007. Adapted from Banjoko, S. A. (2009:29),

“The Nigerian Manufacturing Sector: Bumpy Past and Shaky Future – What Options”,

*University of Lagos Inaugural Lecture Series*. Lagos: University of Lagos Press.

The Hon. Justice M. M. A. Akanbi, the first Chairman of the Independent Corrupt Practices and Other Related Offences Commission (ICPC) advanced some effects of corruption on the society. According to Akanbi (2004:20):

* + 1. Corruption destroys the socio-economic life of the society generally.
    2. It makes economic planning difficult if not impossible.
    3. It creates political instability and undermines the integrity of the state.
    4. It concentrates wealth in the hands of a few corrupt individuals.
    5. It promotes inefficiency, incompetence and breeds nepotism and unhealthy rivalry in government administration.
    6. It stunts growth and development.
    7. It promotes wide spread poverty and large scale unemployment.
    8. It promotes Inflation and destroys the efficiency of public institutions, electoral processes resulting in prime offices and positions being held by charlatans and political jobbers.
    9. It promotes inequality in the distribution of wealth, preferments and largesse‟s.
    10. It destroys ethical and democratic values.
    11. It creates unfair, unjust and inequitable environment in which the Rule of Law is undermined.
    12. It encourages and promotes crimes and large scale fraud.

On the other hand, for Shehu (2006: 93):

Corruption raises critical and fundamental questions about the relationship between the state and society on the one hand, and between wealth and power on the other. An understanding of the full consequences of corruption is also critical to rebutting the common assumption that it is a victimless crime and to mobilizing public support for anti-corruption measures. It is important that corruption be understood not just as an economic crime, affecting those directly involved in individual cases, but in terms of the wider harm it causes. Corruption subverts stable economic structures, good governance, just and predictable legal systems and other crucial social structures because it replaces the normal rules which determines the outcomes of dealings between individuals, and the state and various commercial entities with the less formal, less predictable ad hoc „rules‟ which may change from case to case. With corruption, legal disputes are no longer resolved in accordance with established laws and open proceedings, but by bribes paid – or threats made – to judges or other officials. The allocation of state resources or services is determined not in accordance with the needs of applicants but by their ability and willingness to bribe officials, and the employment of officials who render services may be contingent on factors other than their competence to do so. Commercial dealings are no longer conducted in the best interests of the companies involved and their employees and shareholders, but in the individual interest of key decision-makers.

The weak criminal justice system and its promotion of a favourable opportunity cost for corruption has helped in no small measure making corruption in Nigeria endemic. The recurrent incidents of corrupt by influential people in Nigeria escaping justice and flaunting their ill-gotten wealth have tended to increase corruption (Nnoli 1991). As a consequence of the lack of sanctions and /or inadequacy of sanctions, corrupt public officials and their accomplices have become so bold and daring that money for contracts were not just taken and the jobs not performed, cases abound where the same contracts were awarded twice.

The monies acquired through corruption hardly remain in the domestic economy where the multiplier effect could contribute to capitalist development locally. Collier (cited in Fatolu, 2003:10) argues that, “... 70 per cent of Nigerians private wealth, estimated at

$107 bi**l** ion is held outside Nigeria”. In essence, corruption fuels capital flight.

Furthermore, corruption takes place at the realm of circulation as against production. Despite the above dysfunctional implication of corruption, to see it as solely responsible for the crisis and contradictions of capitalist development in Nigeria largely misses the point. From the beginning of capitalism, corruption has been an integral part of its growth and development.

Literature and cases on corruption in Nigeria are quite extensive and date back to the period of self-government (Aguda, 1998; Gboyega, 1996; Ihonvbere & Shaw, 1998; Nnoli, 1991; Okojie and Momoh, 2007a, 2007b; Olopoenia, 1996; Osaghae, 2002; Osoba, 1996; Smith, 2007; Usman, 1984, 2001). It is instructive to note that the first military coup and all subsequent coups in Nigeria had corruption as a central reason and concern. However, the military as we have shown with the Babangida and Abacha administrations, in spite of their “corrective and messianic” posturing on assumption of power ended being as corrupt as, if not more corrupt than, the civilian governments they overthrew on account of corruption.

Though corruption at the highest echelon of government was the order of the day during the General Yakubu Gowon administration (Osoba, 1996) and attained an embarrassing proportion in the Second Republic under President Shehu Musa Shagari, corruption in Nigeria acquired international acclaim during the administration of Generals Ibrahim Babangida and Sanni Abacha.

While under the Obasanjo presidency, public show of fighting corruption was loud and there was prosecution of some cases of high-profile corruption, corruption did not abate. President Obasanjo, the Vice President, Alhaji Abubakar Atiku, serving Ministers, members of the National Assembly as well as close associates and cronies of the

president were alleged to have been unabashedly immersed in corrupt practices, yet they escaped prosecution with impunity.

## Corruption and Primitive Capital Accumulation under Obasanjo

The Olusegun Obasanjo presidency which started on 29th May, 2009 gave Nigerians and the international community hope that things would be better. There were a number of reasons that confered credibility on this statement. First, President Obasanjo was between 13th February, 1976 and 1st October, 1979 the military Head of State of Nigeria. Hence, there was the belief that governance in Nigeria was a familiar terrain for him. His second coming, it was believed would afford him the rare opportunity to do those things which with the benefit of hindsight he would have done better as well as repeat the past achievements which his many military successors over the years had destroyed.

The second basis of optimism was President Obasanjo‟s establishment of both the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crime Commission (EFCC) outside the regular court system to handle cases of corruption. Added to this was the establishment of the Due Process Office in order to ensure transparency in contract awards and government business as we**l** as Obasanjo‟s aggressive effort to recover Abacha‟s loot spread across the world. These actions reinforced the image of a determined anti-corruption administration.

Third, the high expectations in Obasanjo were also anchored on the belief that his imprisonment by General Sanni Abacha would have sobered him to work positively for national development. President Obasanjo‟s claim to ecclesiastic rebirth as a born-again

Christian, contributed in no small way to the popularly held belief that that there would be a break with the past.

The image of zero-tolerance for corruption by the Obasanjo administration was buoyed by the refusal to salvage the political career of Honourable Salisu Buhari; the Speaker of the House of Representatives from impeachment by the PDP-dominated House of Representatives. Honourable Buhari was found guilty of false declaration of age and the use of fake degree of University of Toronto with which he contested and won the seat to the House of Representatives on the platform of the president‟s political party, PDP.

Paradoxically, it was also the Buhari case referred to above that first and clearly showed that Obasanjo stance against corruption was shallow and mere posturing and grandstanding. Immediately the court convicted Alhaji Salisu Buhari, Obasanjo exercised the power of prerogative of mercy in his favour. President Obasanjo‟s initial anti-corruption stance thus fizzled out as the old order gradually returned with the administration policy somersault in its anti-corruption efforts (Momoh, 2006).

As the administration advanced in years, the Obasanjo anti-corruption policy became highly „selective‟ and used as an instrument of political persecution. It could not have been otherwise given that Obasanjo was a „captive‟ president. The forces that brought him out of prison to the presidency of Nigeria were the same forces deeply entrenched in high level corruption and PCA. This raises moral questions for the Obasanjo‟s presidency and its anti-corruption stance.

Top amongst Obasanjo‟s benefactors is General Abubakar Abdusalam, the immediate past Head of State. As shown above, the eleven months administration of Abdusalam

was corruption-ridden. Another benefactor of Obasanjo was General Ibrahim Babangida, the man under whose administration corruption became widespread. General Babangida was one of the influencial Nigerians that got Obasanjo out of jail to contest for the presidency in 1999. These two military generals were left untouched by Obasanjo‟s anti-corruption war throughout the duration of his administration. General Babangida was instrumental Obasanjo‟s choice for president in 1998.

The case of Babangida was particularly a sore point for the administration‟s anti- corruption stance. Despite loud public outcry for the prosecution of Babangida on account of corruption especially for the misappropriation of the $12.4 billion Gulf Oil windfa**l** for which he was indicted by the Pius Okigbo‟s panel, Obasanjo refused to hearken to the public outcry.

The Obasanjo administration claimed there was no evidence of corruption against the General Babangida administration before it, and that the Okigbo Panel Report which indicted General Babangida was missing. The administration challenged any member of the public with incriminating evidence of corruption against Babangida to bring it forward in order for the General to be prosecuted. However, when a weekly magazine published the Okigbo Panel Report, the Obasanjo government still did not prosecute General Babangida till the tenure of the administration lapsed.

The use of the state as a mechanism for PCA was exemplified in the endemic corruption under the Obasanjo administration and the market-based democracy that was foisted on Nigeria by the international financial institutions.

Lewis (1994), and Lewis and Stein (1997) have shown that reforms only worsened and substituted the modalities for PCA rather than reduce it. The ascendancy of godfathers more than at any other time in Nigeria‟s politics owed its utility to the primacy of money in market-based democracy (Ayoade, 2006). There are numerous cases of corruption and accumulation by various godfathers in different states of the federation, notably, Anambra, Oyo, Kwara and Borno, to mention a few.

The most ridiculous was Alhaji Lamidi Adedibu who publicly blamed Alhaji Rasidi Ladoja, the former Governor of Oyo state for refusal to give 25 percent of the state‟s security vote to him (Adedibu) monthly. It was Alhaji Ladoja‟s failure to use state funds to service the personal demands of Alhaji Adedibu; his godfather, which led to Alhaji Ladoja‟s impeachment as governor of Oyo state. Adedibu‟s action had the support of Obasanjo as president and the PDP top hierarchy.

Similarly, for reneging on his pact with his godfather; Chris Uba, to make the resources of Anambra state available to him, Dr. Chris Ngige the state Governor was abducted and his purported letter of resignation as the Governor of Anambra state was circulated (Smith, 2007). Following Dr. Ngige‟s return to power for three day, Chief Chris Uba and his supporters in the Federal Government unleashed a reign of terror on the people of Anambra state, in the fu**l** glare of the Nigerian Police. The Governor‟s house and the State‟s Radio station amongst other state property were destroyed with several lives lost. Chief Uba was the sponsor of Dr. Ngige‟s governorship election as well as the election of all the members of the State House of Assembly and members of the Federal House of Representatives from Anambra state.

Corruption as a national malaise afflicts all tiers of government, federal, state and local. Similarly, both the public and private sectors of the Nigeria political economy are equally plagued. In 2001, the acting Auditor General of the Federation, Mr. Vincent Ezie made public the misappropriation of public funds in some Ministries (Table 6.7). The revelation was so highly embarrassing to the government that Mr. Ezie was unceremoniously shown out of the Service by an administration that proclaimed anti- corruption as the cornerstone of governance and committed to total national reform.

Corruption has negative implications on the economy in general and the value of the nation‟s currency in particular. Okojie and Momoh (2007a) note that after the monthly Federation Allocation Accounts Committee (FAAC) meetings, the Naira dips against major international currencies. This is indicative that monies allocated for public projects were diverted for the purchase of foreign currencies for money laundering abroad by political office holders and bureaucrats.

## Table 6.7: Misappropriation by Ministry, 2000-2001

|  |  |
| --- | --- |
| Ministry | Amount Misappropriated N (million naira) |
| Cooperation and Integration in Africa | 10.45 |
| Power and Steel | 4,394.7 |
| Works and Housing | 2,262.8 |
| Defence | 1,785.9 |
| Education | 1,265.3 |
| Police Affairs | 1,209.2 |
| Information | 664.1 |
| Commerce | 640.1 |
| Health | 465.1 |
| Industry | 356.1 |
| **Total** | **23,860.7** |

Source: Compiled from Nwaobi (2004), rounded up to nearest 100,000. Adapted from Okojie, P. and A. Momoh (2007:103-120), “Corruption and Reform in Nigeria”, in S. Bracking (ed.), *Corruption and Development: the Anti-Corruption Campaigns*. New York: Palgrave Macmillan.

The manipulation of the books with the active collaboration of the external auditors to deceive stakeholders by the Mr. Bunmi Oni-led management of Cadbury PLC was a major demonstration of the poverty of corporate governance practices in Nigeria‟s private sector. In the same vein, bank failure before and during the life of the Obasanjo adminstration was clear manifestation of the corruption and PCA under-belly in the Nigerian banking system in particular and the private sector in general.

As noted earlier, it has been found that insider abuse by owners, management and staff are the primary factors behind the failure of majority of Nigerian banks (CBN, 2007). At the Senate sitting of Tuesday, 7th July, 2009, Senator Nkechi Nwongu; the Chairman Senate Committee on Banking and Financial Institutions, presented the Committee‟s Report which contained the names of 40 Nigerians who contributed to the failure of some Nigerian banks through insider abuse (Ehikioya, 2009). The outstanding debits of the unsecured loans they took from the failed banks according to the Report presented to the Senate amounted to N53.3 billion. Majority of those fingered were politicians and individuals highly connected with the state (see Table 6.8).

## Table 6.8: List of those who used the Banks for Primitive Capital Accumulation through Insider’s Abuse

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N | Names | Position | Banks | Amount N |
| 1 | Ebitimi Banigo | Former Minister of  Science and Tech. | All State Trust Bank | 15.17 billion |
| 2 | Adeyeba Adekunle Johnson |  | Gulf Bank | 7.78 billion |
| 3 | Babajide Rogers | Managing Director Gulf  Bank | Gulf Bank | 11. 8 billion |
| 4 | Alhaji S.Y. Abdullahi |  | Trade Bank | 1.25 billion |
| 5 | Chief Dapo Sarumu | Former Minister of  Information | Metropolitan Bank Plc | 3.98 million |
| 6 | Alhaji Mohammed Shaaba  Lafiaji | Former Governor of  Kwara State | Trade Bank | 1.15 million |
| 7 | Alhaji Sanusi Ado Bayero |  | Gulf Bank | 45 million |
| 8 | Chief P. O. Akinyelure |  | Hallmark Bank | 1.609 billion |
| 9 | Prince Samuel Adedoyin/ Mrs  Sola Adeoti | Chairman and CEO of the  Bank | City Express | 5.1 billion |
| 10 | Prince Samuel Adedoyin | Chairman of the Bank | City Express | 2.06 billion |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 11 | Sir Emeka Offor | Chairman of the Bank | African Express Bank Plc | 3.85 billion |
| 12 | Mrs. Remi Adiukwu-Bakare | Politician | Metropolitan Bank | 1.09 billion |

Source: Compiled from news report by Ehikioya, A. (2009, July 8: 1-2).

Furthermore, the monetisation of politics under Obasanjo transformed politics from the domain of public service to that of business investment from which profit and the propensity for illicit accumulation are the creterion for measuring successful involvement. We shall draw some examples of the role of political power for PCA from the federal and state levels to illustrate our position.

## Accumulation in the National Assembly

The National Assembly since its inception on 2nd June, 1999 has become synonymous with corruption. In public consciousness, cases of corruption emanating from the hallowed Chambers of the National Assembly overshadow knowledge of people- centred legislations and actions by the Law-makers. As Okojie and Momoh (2007a:107) argue, “The National Assembly is notoriously a focal point for corrupt practice, since it has the power to award its own contracts”. The preoccupation with a task that ordinarily is within the purview of the Executive could be understood given the business and profiteering political orientation of members of the Nigerian highest legislature to politics.

According to Chief Wabara, “membership of the National Assembly is an investment because most of us sold our houses to get to the Senate. The maturity is there but it is the ability to recoup whatever you spent legitimately that is the problem” (*The Punch*, 2004). It was therefore not suprising that in the eight years of Obasanjo administration,

the Upper Chamber of the Nigerian legislature, the Senate, had four presidents; the first three fell on account of corruption-related cases.

The fact that there was no repeat of the same scenario in the House of Representatives during this period, rather than being an inclination of Puritanism, was more a function of political brinkmanship and conspiracy as the leadership of the House of Representatives under Alhaji Ghali Na‟aba engaged Obasanjo in an epic battle purportedly for the protection of the independence of the legislature. It was mostly believed however that the Legislators confrontation with the Executive was due largely to the desire of legislators to fleece the nation of scarce resources through awarding of contracts, consituency allowances/projects, inflated budgets, and other allowances in tandem to the business orientation of the legislators alluded to by Chief Wabara above (*The Punch*, 2004; Field Interview, 2008, July 18).

The peace in the House of Representatives under the Speakership of Alhaji Ghali Na‟aba was due to what could be ca**l** ed his democratisation of accumulation by members. Following the threat to impeach Alhaji Na‟aba by Members based on disputations over the management of the funds appropriated for the House, the issue was resolved with each member of the House Representatives directly credited with percentage of the funds appropriated quarterly to the House for both capital and recurrent expenditure, in order of hierarchy (Field Interviews, 2008, July 18).

In sharing the funds appropriated to the House, the Speaker got the highest share, followed by the Principal Officers of the House, and the rest was shared to the members (Field Interview, 2008). In this manner, Na‟aba and the leadership of the House secured peace and solidarity through a process of democratisation of primitive capital

accumulation. This works very well as was evident in the failure of the various strategies of President Obasanjo to change the leadership of the House of Representatives unlike the case with the Senate (Field Interview, 2008).

Apart from the disagreement over the award of contracts by the Executive on behalf of the legislators - a task the legislators succeeded in hijacking from the Executive arm - other methods used by the legislators for accumulation include the appropriation of fat salaries and allowances for themselves, abuse of appropriation for constituency projects, profiteering through over-sight function, as well as the passage of bills for percuniary purposes.

On the role of allowances in accumulation, immediately the National Assembly (NASS) was inaugurated in June 1999, the nation was scandalised when the NASS members approved for themselves furniture allowance. A member of the House of Representatives during the fifth legislative session; 2003-2007, Professor Sola Adeyeye in an interview (See Appendix 4) revealed how he felt scandalised with the different allocations they got as members.

According to Adeyeye, in the four years, about N12 million was received by each of the 360 members of the House of Representatives for the purchase of stationery alone. The House of Representatives thus expended N4.2 billion on stationary for members in only four years. Members of the Senate, as senior Legislators usually get paid higher monies than their House of Representatives counterparts, just as the Speaker and other Principal Officers of the House of Repesentatives received higher allowances.

Public hearing by different Committees of the NASS is another device for accumulation. A curious part of public hearing in the National Assembly is that members get paid specially for such sittings despite being part of their normal legislative function. What is drawn by the legislators for estacode for foreign travels is similarly a serious drain on the national purse and basis for PCA as in most cases the journeys were never made, or at best provide opportunities for sight-seeing, jamborees, and shopping at tax-payers expense.

Both the President of the Senate and the Speaker, House of Representatives often used the large vote appropriated to their offices to secure the political loyalty of other legislators. There was a case during Chief Obasanjo‟s first term where the Speaker approved N4 million for a member who reported that his wife gave birth through caesarean section (Field Interview, 2008, July 20)! For many Legislators, the primary duty of legislation is set-aside, while efforts are concentrated on exploiting their over- sight function over government ministries and agencies for accumulation through soliciting for contracts and other pecuniary benefits.

Cases also abound of the hierarchy of the National Assembly issuing notes to the Customs and Excise Department to assist favoured members, politicians and cronies through Custom auctions. Seized goods are resold to the people in question at ridiculously low prices, to be resold at the open market at exorbitant prices in what amounted to a classical case of PCA. Some of the commodities involved in the auctions are cars, rice, furniture, provisions, shoes and clothes.

The sixth session of the House of Representatives did not fare better than the preceding sessions over corruption related scandals at the leadership level. The first Speaker under the sixth legislative session, who coincidentally, was the first female Speaker of the House of Representatives, Hon. Patricia Olubunmi Etteh, fell to what has come to be known as “Ettehgate” even before she effectively settled down in office. Hon. Etteh, the Speaker and her Deputy, Hon. Babangida Nguroje, faced with imminent impeachment resigned their positions after being implicated in a N628 million renovation contract scam in respect of their official residences and expenditure on twelve exotic cars.

Similarly, the Speaker, Honourable Dimeji Bankole was at his wit-end to stabilise his tenure when confronted with allegations of the inflation of the cost of cars purchased by the House of Representatives from the Peugeot Automobile Nigeria (PAN), Kaduna. In the N2.3 billion car scandal which was blown open by Lagos lawyer and activist, Mr. Festus Keyamo, the House of Representatives leadership was said to have inflated the 308 Peugeot 407 cars meant for the use of members of the House 82 Committees for their oversight duties.

According to the petition by Mr. Keyamo, the cost of the cars was inflated to the tune of N1.1 million each. Another N333.5 million was also said to have been spent on the purchase of bullet-proof cars and other high-profile vehicles by the House leadership. The payment of Value Added Tax (VAT) on the cars was also said to have been manipulated to enrich privileged members of the House.

Despite the documents supplied by Mr. Keyamo to buttress these weighty allegations, the House Ethics Committee charged with the investigation of the scandal cleared the

House leadership of the corruption charges. The Committee was more concerned about

how Mr. Keyamo got the classified documents which formed the basis of the petition without the authority of the management of the National Assembly.

According to Honourable Ita Enang; the House Chairman on Ethics, the House is prudent in the management of public fund. Backing his claim on the financial prudency of the House of Representatives, Hon. Enang gave the example of the purchase of bullet proof vehicles for the Speaker and the Deputy Speaker which he claimed was purchased for N52.8 million as against the quoted price of N82 million and N105 million, respectively. A saving of N25 million, Enang argues, was made for the public treasury by the legislators in the purchase of these bullet-proof cars (http://www.my- nigeria.com).

Beyond the arithemetic of the amount saved from the purchases, the concern is on the propriety of the purchase of the bullet-proof cars in the first place. In whose interest were those bullet-proof cars purchased when the average Nigerian lives daily in fear of insecurity of life and property amidst the heightened threat of armed robbery and kidnapping. These bullet-proof cars given pass experiences are likely to be taken away as “parting souvenirs” by both the Speaker and his deputy on the completion of their terms, or sold to them at ridiculous cheap prices.

It is quite instructive that the Report of the Mrs. Farida Waziri-led EFCC on the car scam, which had since been completed is yet to see the light of day, and may never. Furthermore, despite the clean bill of health given by the House Committee on Ethics to the leadership of the House on the car saga there are serious questions left unanswered.

First, was the purchase of the 380 cars not a violation of the monetisation policy introduced by the Obasanjo administration? Second, were the cars purchased for members of the House of Representatives not contrary to the position of the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) that except for the President of the Senate and his Deputy, as well as the Speaker and his Deputy in the House of Representatives, no other member of the National Assembly is entitled to official car? Third, does the purchase of the controversial cars for all the 360 members of the House of Representatives not amount to using government money to feather their own nest and double payment, having being paid N1.49 million annually for car and transportation allowances in their monetised packages?

Added to this, the National Assembly power of appropriation over government spending since the inception of civil rule in 1999 have been used as a mechanism for PCA through the ambush of the Executive by the Legislators. Ministers and heads of government parastatals/agencies have been found to induce and monetarily gratify Legislators so that the budgetary allocations to their Ministries and parastatals/agencies are approved and sometimes increased by the Legislators as the case of the Ministry of Education when Chief Adolphous Wabara was the Senate President, demonstrated.

The (then) Minister of Education, Dr. Fabian Osuji confessed to bribing the Senate President, Chief Adolphous Wabara, Senator Chris Adighije, Chairman, Senate Education Committee as well as other members of the Committee on Education of the Senate and House of Representatives with N55 million to facilitate the passage of the Ministry‟s budget. The N55 mi**l** ion was contributed by the parastatals and agencies

under the Education Ministry, principally the National Universities Commission (NUC) and the Federal University of Technology, Owerri (FUTO).

While the Senate President, Chief Wabara was made to resign as the presiding officer of the nation‟s upper legislative Chamber, the Minister of Education, Dr. Osuji was relieved of his post. All those involved in the case were charged to court by the government. The practice of padding the budget by which the Legislators increase the amount appropriated for projects by the Executive and the outright fraudulent inclusion and appropriation of projects not in the budget submitted to the Legislators for appropriation is continuing.

The ongoing case involving Honourable Ndudi Elumelu, Chairman, the House of Representatives Committee on Power Sector, Hon Jibo Mohammed, the House Deputy Chairman of the Power Sector Committe, as well as Senator Nicholas Yahaya Ugbane and seven senior management officers of the Rural Electrification Agency (REA) is a good illustration of legislative budget padding and conspiracy through the abuse of legislative oversight. These people have been arraigned by the EFCC at an Abuja High Court to answers a 156 count charges before Justice Abimbola Banjoko. About N6 billion menth for rural electrification programme were alleged to have been fraudulently withdrawn and shared by the Legislators and their accomplices.

## Executive Corruption in Nigeria under Obasanjo

No tier of government be it federal, state or local government, was free from corrupt practices during the period under consideration. There was popular consensus that the

local governments are better scrapped as there was no service delivery to the people but bare-faced accumulation going on at this level that is supposed to bring government closer to the people. Some cases of executive corruption are examined below.

## Tafa Adebayo Balogun: Corruption of a Police Inspector General

President Olusegun Obasanjo demonstrated his commitment to tackle corruption in Nigeria headlong with the arrest and prosecution of the former Inspector General of Police, Mr. Tafa Balogun. The case of Mr. Balogun is a good illustration of Executive lawlessness, institutional decay and grand corruption in Nigeria. The former Inspector General of Police, Mr. Balogun misappropriated about N18 billion belonging to the Nigerian Police, leaving the Force without required equipment, arms, vehicles and other materials necessary for the effective delivery of security duties to the nation. The record of Mr. Balogun loot was quite amazing.

## Table 6.9: Mr. Tafa Balogun Loot from the Nigerian Police January 2000 – January 2005

|  |  |  |
| --- | --- | --- |
| S/N | Amount | Usage |
| 1 | N87,720,000.00 | Bought 1,500,000 shares of Nigerian Breweries Plc |
| 2 | N42,000,000.00 | Bought 1,500,000 shares of First Bank of Nigeria Plc |
| 3 | N50,050,000.00 | Bought 1,500,000 shares of Union Bank Plc |
| 4 | N148,000,000.00 | Bought 1,500,000 shares in Guinness Nigeria Plc |
| 5 | N500,000,000.00 | Bought Treasury bills for Caledonian Telecommunication Ltd. |
| 6 | N350,000,000.00 | Bought a block of 6 numbers 3 bedroom flat at Olusegun Aina Street, Paek View, Ikoyi,  Lagos in the name of Ceejay properties Nigeria Ltd. |
| 7 | N35,000,000.00 | Bought 5 bedroom detached house at Victoria Garden City, Lagos in the name of Gbenga  Ajala, the Customers‟ Relationship Manager, Abuja branch of the Fountain Bank Plc |
| 8 | N130,000,000.00 | Bought 5 bedroom detached house at Park View Estate, Ikoyi with 2 bedroom boys quarters |
| 9 | N485,000,000.00 | Bought Shakir Plaza at Plot 1020 Cadastral Zone Garki II, Abuja |
| 10 | N285,000,000.00 | Bought in the name of Olatrade Nigeria Ltd Yasuha Plaza at Plot 1046 Ademola Adetokunbo  Street, Wuse II, Abuja |
| 11 | N280,000,000.00 | Bought 2 double duplex apartments at Plot 110 Tunis Street, Wuse Zone 6, Garki, Abuja, in  the name of Ola Trade Nigeria Ltd |
| 12 | N345,720,320.00 | Used for Commercial papers in favour of Caledonia Telecommunications Ltd |
| 13 | N468,959,667.36 | Commercial papers in favour of Yeboa Investment Ltd |
| 14 | N91,440,640.00 | Commercial papers for Yeboa Investment Ltd |
| 15 | N4,985,549.13 | Commercial papers for Yeboa Investment Ltd |
| 16 | N140,233,881.73 | Commercial papers in favour of Renovations Construction Ltd |
| 17 | N44,008,448.21 | As Above |
| 18 | N1,152,143,184.25 | Deposited in a current account no. 01C31201472 with Fountain Trust Bank, Abuja in favour  of Caledonia Telecommunications Ltd |
| 19 | N10,949,434.68 | Call deposit in A/c 01D3120147305 with Fountain Trust Bank, Abuja, in favour of  Renovations Constructions Ltd |

|  |  |  |
| --- | --- | --- |
| 20 | N91,805,376.13 | Call deposit in account no. 01D31201/17304 with Fountain Trust Bank Plc, Abuja in favour  of Renovations Constructions Ltd |
| 21 | N138,586,536.77 | Call deposit in a/c 01D3120147303 in Fountain Trust Bank Plc Abuja in favour of  Renovations Constructions Ltd |
| 22 | N1,383,211,340.45 | Deposited in current account no. 01C31201474 with Fountain Trust Bank, Abuja, in favour of  Yeboa Nigeria Ltd |
| 23 | N254,279,679.86 | Invested in Bankers Acceptance Account no. 01X0520147400 with Fountain Trust Bank Plc,  Abuja, in favour of Yeboa Nigeria Ltd |
| 24 | N254,279,679.85 | As above (a/c 01X0520147500) |
| 25 | N415,550,274.08 | Deposited in current account no. 01C31201473 with Fountain Trust Bank, Abuja in favour of  Yeboa Nigeria Ltd |
| 26 | N2,028,474,468.23 | Deposited into current account no. 01C1201473 with Fountain Trust Bank, Abuja, in favour  of Renovations Constructions Ltd |
| 27 | N228,082,191.78 | Call deposit account no. 01D3120119100 with Fountain Trust Bank, Abuja in favour of  Olatrade Nigeria Ltd |
| 28 | N29,800,000.00 | Call deposit account no. 01D3120119100 with Fountain Trust Bank, Abuja credit of Olatrade  Nigeria Ltd |
| 29 | N25,000,000.00 | Call deposit account no. 01D31201127800 with Fountain Trust Bank, Abuja in favour of  Aworo Investment Nigeria Ltd |
| 30 | N960,999,167.00 | Paid into current account no. 01C0120127800 with Fountain Trust Bank, Abuja, credit of  Aworo Investment Nigeria Ltd |
| 31 | N871,216,933.21 | Paid into current account no. 01C01201278 with Fountain Trust Bank, Abuja operated by  Aworo Investment Nigeria Ltd |
| 32 | N700,000,000.00 | Details not stated. |
| 33 | N100,000,000.00 | As above |
| 34 | N100,000,000.00 | As above |
| 35 | N50,000,000.00 | As above |
| 36 | N6,575,360.67 | As above |
| 37 | N1,929,155.00 | As above |
| 38 | N1,951,413.33 | As above |
| 39 | N6,486,666.67 | As above |
| 40 | N4,512,328.67 | As above |
| 41 | N4,229,277.67 | As above |
| 42 | N3,743,379.00 | As above |
| 43 | N4,130,041.00 | As above |

Source: Compiled by researcher based on facts from the EFCC Charge Sheet, [http://www.nairaland.com/nigeria/topic.](http://www.nairaland.com/nigeria/topic)

Mr. Tafa Adebayo Balogun was forced to resign as the Inspector General of Police after which he was charged to court by the EFCC, where he pleaded guilty to the charges before Justice Binta Nyako. In her judgement, the presiding judge, Justice Nyako sentenced the former Inspector General of Police to six months imprisonment, and a fine of N500, 000.00 on each of the eight charges against him. The six months jail term for each charge was to run concurrently. Also, the time the former Inspector General of Police spent in detention, which added up to 3 months and seven days were counted as part of the jail term already served. Mr. Balogun forfeited all the assets acquired illicitly to the state.

Mr.Balogun has since served his jail term and now walks about as a free man.

The former Inspector-General of Police during the life of the President Umaru Yar‟Adua administration wrote pleading for the return of his siezed assets (http://www.nigeriannewsservice.com). Mr. Balogun was only relying on precedent of similar returns of loot in the past to which we have made reference. After his sentence by Justice Nyako, Mr. Balogun had said then that, "Life is full of challenges, it has its ups and down. I was up yesterday, I am down today but I wi**l** bounce back”. This is a weighty and likely prophecy in the current state of affairs in Nigeria.

## Olabode George

Chief Olabode Ibitoye George is a high-ranking member of the ruling PDP. He was the immediate National Vice-Chairman of the PDP for the South-West. Chief George is not new to power, its trappings, as well as allegations of corruption. As Military Governor of Ondo state under General Ibrahim Babangida military presidency, the then Navy Captain Olabode George; like many of his fellow governors, was corrupt. In the early part of 1990, stakeholders in Ondo state cried out against the corrupt activities of their governor, Olabode Ibitoye George. According to Gboyega (1996:8), “In February [1990], Navy Captain Olabode George was accused of indiscriminate awards of contracts, leading to the supply of obsolete typewriters, facsimile machines, and boats”.

The Nigerian Port Authority (NPA) Board under the chairmanship of Chief Olabode George was alleged to be involved in large-scale corruption for which the former military governor of Ondo state was convicted and sentenced to twenty-eight years imprisonment. The special committee set up by President Obasanjo to review contracts awarded by the NPA from 2001 to 2003 exposed the rot in the Chief Olabode George

led NPA. Most of the contracts awarded were found to be grossly inflated and

sometimes duplicated. Odunlami (2006) reported instances where “goods worth only N200, 000 each were awarded to contractors for N7 million. In other instances, a baton was given three different names and awarded severa**l** y at preposterous prices”.

The observations by the Ribadu Committee which similarly looked into contract awards under Chief Olabode George led-NPA Board are instructive regarding corruption under his charge. Some of the Committee‟s observations are: (i) violation of government rules on contracts awards; (ii) operating an approval limit far in excess of government regulations on approval limits of contracts by the Board and Management; (iv) inflation of cost of contracts; (v) splitting of contracts in order to fall within approval limits.

This, Odunlami (2006) notes, “consequently led to the inordinate desire to award more contracts even when it was not needful to do so. The Committee observed that this situation has resulted in contract recycling and payments for contracts not executed” (Odunlami,2006). Being a powerful member of the PDP, the anti-corruption measures of the Obasanjo‟s administration spared Chief Olabode George throughout the eight years of Obasanjo‟s presidency. He was one of the sacred cows of the Obasanjo administration.

## Andy Uba: Corruption of a Presidential Aide

Dr. Andy Uba, President Obasanjo‟s Senior Special Assistant (SSA) on Domestic Affairs, was on 26th September, 2006 found guilty by a USA District Court seating in Portland, Oregon for money laundering. Dr. Uba was said to have imported into the USA, in violation of Immigration laws amount above $100,000. He was accused of

smuggling $170, 000 into the USA during one of his trips with President Obasanjo, in 2003.

Some $91,262.50 of the amount that was neither declared in Nigeria nor in the United States of America (USA) was used for the purchase of a Mercedez Benz car for Dr. Uba, as we**l** as farm equipment worth $45, 487.2 for President Obasanjo‟s Ota farm (Adegbamigbe, 2006,). The unexpended balance of the money was ceased from Dr. Uba by the US District Court at Oregon. He was spared the necessity of facing the EFCC being one of the powerful people in the Obasanjo presidency. Dr. Uba was also an in- law to the First Lady, Chief (Mrs) Stella Obasanjo.

## The Allocation Federal Government Houses in Ikoyi, Lagos

The Obasanjo government extended its economic reform programme to freeing government from the provision of housing, cars, drivers, and others benefits to public servants through the monetisation policy. The essence of the monetisation policy was to relieve government of direct provision of these benefits to its employees. Rather, the values of those services are to be paid with the monthly salaries of government staff.

In line with the monetisation policy, government houses across the country; except those occupied by the President, the Chief Justice of the Federation, army and police barracks, university accommodations were sold to the public, under a competitive bidding; with incumbent occupants having the right of first refusal to purchase the houses. As was later found out, the sale of those government houses were manipulated and used as another opportunity for PCA by the privileged elite and their allies.

The houses were in most cases alleged to have been grossly undervalued and bought by the well-connected within and outside the government. As the names in Table 6.9 shows, the beneficiaries were mostly serving Governors, Ministers, members of the ruling parties, serving and retired military and police officers, high-ranking judicial officers, legislators, top bureaucrats as well as members of the Nigerian petty bourgeois comprador classes closer to the corridors of power.

The profiteering that characterised the sale of government houses across the country blew into the open with the secret allocation of prime houses in Ikoyi, Lagos to government officials, politicians, serving and retired military officers, members of the petty bourgeois comprador classes, their relatives and cronies. About 207 people across Nigeria, including the family of the wife of the President Obasanjo, Chief (Mrs) Obasanjo, serving Governors, Ministers, legislators, and top bureaucrats were revealed to have been secretly allocated juicy houses in Ikoyi before the advertisement for the sale was put out to the public.

This malfeasance and failure to adhere to due process cost the then Minister of Housing, Mrs. Mobolaji Osomo her ministerial position, with the allocations cancelled by President Olusegun Obasanjo. Some of the allottees who were said to have either paid in full or made deposit however denied applying for the houses in the first place. Below is the list of the beneficiaries of the housing scandal under the monetisation policy.

## Table 6:10

**Some of the Beneficiaries of the Under-Table Allocation of Federal Government Houses in Ikoyi, Lagos**

|  |  |  |
| --- | --- | --- |
| S/N | Name | Position |
| 1 | Dr. Peter Odili | Governor, River State |
| 2 | Otunba Gbenga Daniel | Governor, Ogun State |
| 3 | Dr. Bukola Saraki | Governor, Kwara State |
| 4 | Prince Olagunsoye Oyinlola | Governor, Osun State |
| 5 | Mr. Donald Duke | Governor, Rivers State |
| 6 | Alhaji Adamu Muazu | Governor, Bauchi State |
| 7 | Chief Adolphus Wabara | Senate President |
| 8 | Senator Musiliu Obanikoro | Member of the Senate |
| 9 | Senator John Azuta | Member of the Senate |
| 10 | Senator Isa Maina | Member of the Senate |
| 11 | Senator Ben Obi | Member of the Senate |
| 12 | Hon. Austin Opara | Deputy Speaker, House of Reps. |
| 13 | Hon. Sadiq Yar‟Adua | Member, House of Representatives |
| 14 | Hon. Bawa Bwari | Chief Whip, House of Reps. |
| 15 | Hon. Addul Ningi | Majority Leader, House of Reps. |
| 16 | Chief Broderick Bozimo | Minister of Police Affairs |
| 17 | Col. Bala Mande (rtd) | Minister of Sports |
| 18 | Dr. Rowland Oritsejafor | Minister of State for Defence |
| 19 | Ambassador Adamu Waziri | Minister of Commerce |
| 20 | Prof. Fabian Osuji | Former Minister of Education |
| 21 | Lt.-General Martin Agwai | The Chief of Army Staff |
| 22 | Mr. Sunday Ehindero | Acting Inspector-General of Police |
| 23 | Major General Lawrence Onoja (rtd) | Retired Army officer |
| 24 | Major General Olufemi Olutoye (rtd) | As above |
| 25 | Major General A. Ajibade | In service |
| 26 | Rear Admiral Adesokan | As above |
| 27 | Brigadier General J. B. Akinyemi | As above |
| 28 | Mr. Bello Labaran | Deputy Inspector General of Police |
| 29 | Mr Musa Abdulkadir | As above |
| 30 | Mr Mike Okiro | As above |
| 31 | Justice Adolphus Karibi-Whyte | Justice of the Supreme Court |
| 32 | Justice A. O. Ejiwunmi | As above |
| 33 | Justice Rosaline Ukeje | Chief Judge, Federal High Court |
| 34 | Chief Barnabas Germade | Former National Chairman of PDP |
| 35 | Mr. Segun Awolowo | P.A to the President on Traditional Matters |
| 36 | Oba Otudeko | Businessman |

|  |  |  |
| --- | --- | --- |
| 37 | Chief Subomi Balogun | Banker |
| 38 | Mr. Festus Odimegwu | Managing Director Nigerian Breweries/ known supporter of the  President |
| 39 | Prof. Charles Soludo | Governor of the Central Bank of  Nigeria |
| 40 | Dr. Dora Akunyili | Director-General, National Agency for  Food Drug Administration and Control (NAFDAC) |
| 41 | Chief (Mrs) E. O. Adegbite | Permanent Secretary, Federal Ministry of Agriculture |
| 42 | Architect Ikomi |  |
| 43 | Alhaji Ibrahim Hassan |  |
| 44 | Ambassador Ibrahim Gambari | Nigerian Ambassador to the United Nations (This was previously approved on special condition) |
| 45 | Chief Emeka Anyaoku | Former Secretary-General of the  Commonwealth This was previously approved on special condition) |

Source: Compiled by the researcher from *ThisDay* 1 April, 2005 posted on [http://odili.net/news/source/2005/apr/1/200.html.](http://odili.net/news/source/2005/apr/1/200.html) Accessed on 11 August, 2009.

Despite the cancellation of these allocations by President Olusegun Obasanjo, there was still public outcry and evidence that the sale of government houses across the country compromised the tenets of accountability and transparency. Many sitting tenants were denied the right of first refusal over the property as was promised with their houses allocated to highly connected individuals.

There was serious controversy over the account of the revenue from the sale of these

federal government houses. According to the Senator Ikechukwu Obiorah who chaired the Senate Committee on Housing that investigated the sale of these houses, N23.4 billion of the N98.9 billion that government made from the sale cannot be accounted for. However, Mr. Chuka Odom, who was in-charge of the Presidential Implementation Committee when he was the Minister of State for Housing claimed that the allegation was unfounded

([http://www.sunnewsonline.com/)](http://www.sunnewsonline.com/).

* + 1. **The Petroleum Trust Development Fund (PTDF)**

The history of the PTDF dates back to 1973, when Decree No. 25 was promulgated in the wake of the Nigeria oil boom and the need to annex the opportunities offered by the boom to develop the nation‟s capacity in the petroleum industry and increase indigenous control over the nation‟s oil activities. The PTDF‟s existence was however not known to most Nigerians because no effort was made to ensure that it delivered on the promises for its establishment.

Except perhaps for informed players in the nation‟s oil sector the existence of the PTDF was unknown until the confrontations, accusations and counter-accusations between former President Olusegun Obasanjo and his Vice, Alhaji Atiku Abubakar on the use of the PTDF as a mechanism for PCA. The shocking disclosure of how the PTDF was used to launder public funds for private gains between President Obasanjo and Vice President Abubakar would not have come to the open but for the disagreement between the duo in the aftermath of President Obasanjo‟s failed attempt to have a third term in office. Vice President Abukakar was vociferously opposed to the third term ambition of President Obasanjo, on account of his own presidential ambition in the 2007 presidential election.

The PTDF affairs thus provided President Obasanjo the opportunity to pay back his Vice for his “disloyalty” during the Third Term saga. Vice President Atiku Abukakar was accused by the President of using the funds released by the government for the PTDF to feather his personal business interests and those of his friends and cronies through the placement of the PTDF funds in bank accounts

For instance, the $125 million that was approved for the PTDF on 25th April, 2003 was invested by the Vice President in two banks: Trans International Bank (TIB) - US$10 million; and Equatorial Trust Bank (ETB) US $115 million (US$ 62,100,000:00 paid into the PTDF Domiciliary Account with the ETB on 17th July, 2003, while the balance of US$ 52,900,000:00 was added on 20th August, 2003). An additional US$20 million on the request of the Executive Secretary of the PTDF to complete “some urgent project” was approved by the Vice President without recourse to the Federal Executive Council. However, the money was said to have been placed in a fixed deposit with the TIB for 365 days at 1.75% interest.

The placement of PTDF funds by Vice President Abubakar Atiku was said to have assisted him and his friend, Otunba Oyewole Fasawe to enjoy credit facilities from the banks with whom the PTDF funds were placed for their satellite television project, Netlink Digital Television (NDTV). The grant of N400 million and N420 million for NDTV and Mofas Shipping Company (own by the Vice President) by TIB on 20th October, 2003 and 22nd October, 2003 were believed to be benefits derived as a consequence of the placement of the PTDF fund with the TIB.

Furthermore, these loans and the additional N730 million that NDTV got following the placement of another $20 million of PTDF fund with the TIB were alleged to have provided the NDTV funds for the payment of the $6.5 million as contribution for a joint venture business in January 2004. It could not have been a mere coincident that the headquarters of the NDTV at Wuse II, Abuja is owned by the Vice President. The building was also used as collateral for the bank loans.

It was also believed that the Vice President had interest in Global Communication; one of the telecommunication service providers, and that the payment of $20 million for the Globacom GSM licence was made possible through the PTDF $50 million placement with ETB on 25th June, 2002. Both ETB and Globacom are owned by Otunba Mike Adenuga, Jnr. The sum of N400 million that was paid to the Vice President by Otunba Fasawe through Alhaji Umaru Pariyah, the Vice President‟s Personal Assistant, on 4th October, 2003, was also alleged to have come from the $50 million PTDF fund paid into the ETB account.

In his response to the allegations, Vice President, Atiku Abubakar opened a Pandora box. He alleged that the money paid into his Marine Float account was meant to be used for the Obasanjo/Atiku re-election campaign. He also alleged that the President was a beneficiary of the PTDF account. He gave an instance of the purchase of a car for one of the president‟s mistresses from the proceeds of the PTDF account. What is undeniable from the accusations and counter-accusations was that between President Olusegun Obasanjo and his vice, Alhaji Atiku Abubakar, the PTDF was used by the duo to siphoon the nation‟s of monies that would have been used for the improvement of the welfare of the citizens and promote national development.

## Primitive Capital Accumulation at the State Level

Governance in virtually all the states of the federation is also characterised by extensive PCA to the detriment of citizen‟s welfare and development. Despite the increased revenue which accrued to the states as a consequence of the increase in the international price of oil since 1999 when the civilian administration took over power in Nigeria, the quality of life of Nigerians has significantly deteriorated. This was because those in

control of the apparatus of governance at the state and local government levels have been more concerned with self- interest as against the welfare of the citizenry.

For instance, as the nation approached the 2007 General Elections reports from the EFCC indicated that all but one of the governors had petititons against them on matters of corruption pending before the anti-graft agency. Most of the Governors hide under Section 308 of the 1999 Constitution which granted immunity from civil and criminal prosecution to the President, the Vice-President, Governors and their deputies all through the duration of their tenure in office.

Three of the Governors between 2003 and 2007, Mr. Joshua Dariye of Plateau state, Chief Diepreye Solomon Peter Alamieyeseigha of Bayelsa state and Mr. Ayodele Fayose of Ekiti state were impeached by their state Assemblies with the backing of the federal government and the EFCC on account of corruption. There was a particularly embarrassing twist to the case of Governors Joshua Dariye and Diepreye Alamieyeseigha who jumped bail in the United Kingdom (UK) where they were arrested over alleged money laundering offences.

In September 2004, former Governor Dariye was arrested by the Metropolitan Police for having £100,000 cash on him. Another £80,000 and £920,000 were found, respectively in his hotel room and lodged in his bank account in London. The London Metropolitan Police also charged the former governor of Bayelsa state, Diepreye Alamieyeseigha for laundering. The case of Alamieyeseigha involved £1.8 million.

A comparative analysis of the assets declaration of Governor Alamieyeseigha, when he assumed power on 29th May, 1999, as against his known assets at the twilight of his administration clearly reveals how PCA from the resources of Bayelsa state by Governor Alamieyeseigha made him a billionaire.

Relying on the Code of Conduct Assets Declaration form which Diepreye Alamieyeseigha filled in 1999 when he newly became Governor of Bayelsa state, the total assets of the Governor according to Aluko [(www.dawodu.com](http://www.dawodu.com/)) was N68.6 million.

This was made up of (i) five buildings valued at N50 million; (ii) 25 plots valued at N2.5 million; (iii) Pesal Nigeria Ltd, with N1 million share capital; (iv) four vehicles bought between 1982 and 1998 and valued at N10 million; (v) N5 million balance in Diamond Bank Plc, account No. 0136900013 and N100,000 cash. Aluko ([www.dawodu.com)](http://www.dawodu.com/), notes that some of these assets might have been “anticipatory

asset declaration”.

On becoming the Governor of Bayelsa state, with the resources of the state under his control, the assets of Diepreye Alamieyeseigha around the globe increased exponentially beyond what his legitimate incomes could justify. Some of the property of Diepreye Alamieyeseigha in London, South Africa, America and Latin America as given by Aluko ([www.dawodu.com)](http://www.dawodu.com/) are as follows:

* 247, Water Gardens, London, W2 2DG, which is the registered address of Solomon & Peters Ltd. This property was purchased for £1.75 million;
* 14, Mapesbury Road, London, NW2 4JB purchased for £1.4 million;
* Flat 202, Jubilee Heights, Shoot uphill, London, NW2 3LJQ, purchased for the sum of £241,000;
* 68-70, Regent's Park Road, London, N3, which was purchased in July 2002 for the sum of £3 million;
* V&A Waterfront, Cape Town, South Africa worth over £1 million;
* Royal Albatross Properties 67, a company registered in September, 2005 in Cape Town, South Africa.
* 504, Pleasant Drive, King Farm Estate, Maryland USA;
* 15859, Aurora Crest Drive, Whither, California, USA, 90605, 22;
* A multi million US dollar oil refinery in Ecuador.

In terms of cash, the following amounts in different foreign currencies were traced to Diepreye Alamieyeseigha:

* “almost £1.9 mi**l** ion in a Royal Bank of Scotland account belonging to Alam's company Santolina on request to be transferred to an account in Cyprus;
* four transfers worth Euro 2.36 million made from Bayelsa State Ministry of Works Account held by All States Trust Bank to Germany through Commerz Bank, London in September 2005 during his tummy tuck in a German hospital”. ([www.dawodu.com](http://www.dawodu.com/)).

The second illustrative case of corruption at the state level, especially in collaboration with the private sector was that of the former Governor of Delta state, James Ibori, who is facing charges of the looting of Treasury of Delta state. Using Bromley Investment Limited and Brisbane Investment Limited, Mr. James Ibori, through a front, Mr. Henry

Imasekha, diverted resources of the Delta state government to fester his private nest (Akinbajo, 2009).

According to a report by Akinbajo, (2009), which was based on the investigation of the EFCC, Bromley Investment Limited in July 2001 acquired 10 percent shares of ECONET (now Airtel); one of the GSM service providers, with N2.2 billion loan from the New Nigerian Bank before the bank went under. The facility was granted to the company without any collateral. Curiously too, the transaction was the first between the company and the bank! The bank was jointly owned by Delta and Edo states. Mr. James Ibori; who Mr. Imasekha is allegedly fronting, was then the Governor of Delta state government.

Relying on the reports of the investigators, Akinbajo (2009), alleged that fifty percent of the shares acquired through the New Nigerian Bank unsecured loan were sold to the Delta state; a part owner of the bank which granted the loan, and where Mr. James Ibori, alleged as the real owner of Bromley Investment Limited, presided as the Governor, at N2.5 bi**l** ion. From this transaction, Akinbajo (2009) notes that, “In a mere

48 hours, Mr. Imasekha, believed to be fronting for Mr. Ibori, had turned a profit of more than 100 percent”. The fifty percent balance of the initial ten percent shares acquired by Bromley Investment Limited was in 2006 sold to CELTEL for N4.4 billion when the latter took over the telecommunication company (Akinbajo, 2009).

With the N4.4 billion realised from the sale of the outstanding shares of Bromley Investment Limited, Mr. Ibori, through his front again bought shares of the National Company (NAFCON) under the privatisation programme. This purchase consolidated

Mr. Ibori‟s control and ownership of NAFCON where he has through one of his companies, Notore Chemical Industries, acquired thirty-nine percent in 2005. Notore Chemical Industries won a N40 billion fertilizer supply contract from the President Umaru Yar‟Adua‟s administration. Mr. James Ibori as the Governor of Delta state was allegedly a major financier of the presidential campaign of Alhaji Umaru Yar‟A dua.

Furthermore, the purchase of the Nigerian operation of Wilbros in 2007, at the value of

$155.25 million by Ascot also managed on behalf of Mr. Ibori by Mr. Imasekha, following the indictment of Wilbros in the United States of America for bribing government officials in Nigeria with $6 million between 2003 and 2005, was given with a $200 million loan from Intercontinental Bank Plc, which according to Akinbajo (2009) was guaranteed with “... 16 mi**l** ion shares in Celtel owned by the Delta State and

54 mi**l** ion shares of Hernderson African Investment Ltd in Union Bank”. Issues have been raised as to securing a private business loan with the collective wealth of the people of a state. This transaction reveals the complex network between the state, the petty bourgeois comprador classes, financial capital and accumulation in Nigeria.

The use of the Delta State Government shares as collateral security for private loan from bank has also been found to have been done in the case of the N44.6 billion loan taken by Ascot Offshore Nigeria Limited from the Intercontinental Bank Plc. The company used the 820 million units of Oceanic Bank Plc shares owned by the Delta State Government in January 2007 when Mr. James Ibori was the Governor of the state to secure the loan from the bank (Nwankwo & Kolapo, 2009). Given the lien placed on the shares, the Delta State Government involvement in this private transaction has cost

the citizens of the state enormously. The share which was priced at N30 as at the time of

the transaction was N3.47 by the end of August 2009. As Nwankwo and Kolapo (2009) submit, the state has loss over N12 billion Naira.

## Primitive Capital Accumulation: Obasanjo’s Parting Gifts

On assumption of power, former President Obasanjo demonstrated his disapproval of the contract awards in the dying days of the General Abdusalaami Abubakar administration by setting-up the Christopher Kolade Panel to probe the contracts awarded by his predecessor in office. Many of those contracts were revoked by President Obasanjo on account of the fact that due process was not followed and the contracts were inflated.

However, Obasanjo himself was involved in a similar last minute disengagement contract awards which to many Nigerians smack of corruption and PCA, especially given that these contracts were mostly extra-budgetary expenditure (Agbo, 2007). Some of the last minute disengagement deals of the Obasanjo government are detailed on Table 6:11 below:

## Table 6:11

**President Olusegun Obasanjo Disengagement Deals: March-May, 2007**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N |  | Amount | Particulars | Remarks |
| 1 | 9  May | N16.53 billion  N20 billion N4.8 billion  N1.39billio  N233 million N47.4 billion  N3.5 billion | Reconstruction of port harbours in Lagos  Expansion of Airport  Security and Exchange Commission permanent building  Permanent accommodation for participants of War College training courses in Abuja Rehabilitation of Agege-Lagos road.  Conversion of the Alaoji Power Plant to double circuit.  Purchase of two boilers at Egbin Power Station  in Lagos |  |
| 2 | 16  May | N176billion (N70bn to  revive textile industries; N58bn for 2nd Niger bridge; | Various contracts for infrastructure in the six  geo-political zone of Nigeria | The Minister of Information, Mr. Frank  Nweke jnr, who gave the breakdown refused to name the contractors to |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | N42bn for the maintenance  of the projects after completion |  | handle the contracts. |
| 3 | n.d | $140 million  $2.3 billion | Protection of the Lagos coastal line.  Construction of a river port in Lokoja | Announced by Minister of State for  Water Transportation. Not approved by the Federal executive Council.  Contractor not named. Neither was the  source of the fund. |
| 4 |  | N220 billion | Niger Delta (Dualization of the East/West  road) | No tender |
|  |  | N30.3 billion  N7 billion N1.5 billion  N162.8 million N130 million | Dam construction in Karhia, Abuja  Dualization of Jikwoyi-Karsi road, Abuja. Completion of A.Y.A. area, Abuja.  Surveying and mapping of the (FCT) Abuja. Children resort library, Abuja. |  |
| 5 |  | N55 billion | Comprehensive health centres in the 774 local  governments in Nigeria. |  |
| 6 |  | N15 billion | Millennium Development Goals (MDGs) fund  for the development of the agricultural sector. |  |
| 7 |  | N600 billion | „The New Deal‟ for the education sector |  |
| 8 |  | N21.2 billion | Development of the Middle Rima Valley  Irrigation Project II Sokoto |  |
| 9 |  | N156 million | Renovation of Jigawa Polytechnic |  |
| 10 |  | N800 million | Provision of amenities for border communities  around Nigeria/Niger Republic border in Katsina state |  |
| 11 |  | N4.46 billion | Completion of the Dadin-Kowa Hydro Power  Project, Gombe State. |  |
| 12 |  | N20 billion | Contracts for road construction, power projects  and erosion control. |  |
| 13 | May  9 |  | Insurance of hundreds of mining licences to  individuals linked with Obasanjo‟s administration |  |
| 14 |  |  | The sale of Port Harcourt and Kaduna  refineries to Alhaji Aliko Dangote and Mr.  Femi Otedola. | No competitive bidding. Both men are  known associates and financiers of  Obasanjo‟s political machine. |

Compiled from various sources by the researcher.

There were other notable cases of corruption during the Obasanjo administration most of which were not prosecuted. They include:

* + 1. The confession by Senator Arthur Nzeribe that he was given N300 million by the presidency for Senators in order to thwart their bid to impeach President Olusegun Obasanjo;
    2. The National Identity Card scam by SAGEM which involved N214 million. This scandal cost Chief S. M. Afolabi, the Minister of Internal Affairs and personal friend of Obasanjo, his job;
    3. The N300 billion allocated for road construction when Chief Tony Anenih was the Minister for Works and Housing. Nothing was done about this case during the Obasanjo years in office and under the current dispensation.
    4. The All-African Games hosted by Nigeria in 2003 provided another basis for PCA to the tune of N30 billion. Chief (Mrs) Stella Obasanjo was a major participant in this contract scandal.
    5. The Wilbros $6 million bribe scandal to some officials of the NNPC, Shell Petroleum and members of the PDP. The bribe was to assist in securing a gas pipeline contract valued at $387 million. Wilbros has been sanctioned in the

U.S.A. with a fine of $32 million and the forfeiture of some of its assets. However, the Nigerian government has refused to do anything to the bribe takers whose identify are well known.

* + 1. Siemens AG was found guilty in Germany for poor corporate governance practices through the offering of bribes to Nigerian officials in order to secure contracts over many years. The company was fined 201million euro ($248 million) on October 4, 2007 in Munich, Germany. Members of the Nigerian political class linked with the Siemens AG bribe scandal include, Cornelius Adebayo, Haruna Elewi and Bello Mohammed; all former Ministers of Communication and Prof. Jubril Aminu, Senate Chairman on Foreign Affairs, were alleged to have taken $10 million bribe.

Beyond the cancellation of a N128.4 million ($1.1 million) contract awarded to Siemens for the supply of circuit breakers and other power generation accessories, the implicated Nigerians are yet to be prosecuted. Even Siemens has since

resumed business with Nigeria and PCA with members of the petty bourgeois comprador classes is unabated. The company is a primary beneficiary of a Memorandum of Understanding (MoU) between Nigeria and Germany for the National Integrated Power Projects (NIPP). Siemens was previously unsuccessful during the bid for the NIPP. While Germany promised credit line to Nigeria for the execution of the MoU, Nigeria is paying with crude oil and gas export to Germany for a contract for which no value was attached! (Atojoko, 2008:9-13).

* + 1. The filing of *nolli prosequi* on the day of judgment by the Attorney-General of the Federation and Minister of Justice, in a case of stolen N480 million by Dr. Julius Makanjuola, the former Permanent Secretary, Ministry of Defence, and three other people.
    2. There was also the allegation that N360 billion oil proceeds were illegally diverted from the NNPC account under Mr. Jackson Gaius Obaseki.

## Accumulation under President Musa Yar’Adua

President Umoru Yar‟Adua came to power on 29th May, 2007 in an election which he admitted was flawed. Despite the president‟s public show of fighting the war against corruption, the Yar‟Adua administration managed to engender a working arrangement with corruption. Many past Governors with corruption cases served the administration as Ministers, Special Advisers and in other top government positions.

The former Governor of Delta State, James Ibori, believed to be one of the most corrupt Governors during the Obasanjo administration, was one of the most influential persons

under the Yar‟Adua administration. He had a pending case of stealing and money laundering to the tune of N9.4 billion at the Federal High Court Kaduna. Similarly, he is still answerable to charges of N35billion money laundering in the United Kingdom. As a demonstration of his powerful position in the Yar‟Adua government, his company Notore Chemical Industries Limited was awarded a contract of N40 billion by the Federal Government.

Furthermore, not only has the EFCC become a shadow of its former self with the appointment of Mrs. Farida Waziri as the Chairman, the humiliation and dismissal of the former Chairman of the anti-corruption Commission, Mallam Nuhu Ribadu by the government is seen as evidence that the government has lost stream on the anti-corruption war. This is especially so when it is recalled that influential politicians under this administration like James Ibori; who Mr. Ribadu dragged to court for graft promised to deal with the anti-graft czar.

Recently, against the background of the public outcry of the ineptitude of the EFCC, the Commission handed a list of some Nigerians to the NLC, with whom it has entered a strategic partnership to fight corruption. The names and amounts against the individuals with corruption cases are detailed on Table 6.12 below:

## Table 6:12

**EFCC List of Corrupt Persons Given to NLC**

|  |  |  |
| --- | --- | --- |
| S/N | Name | Amount  N |
| 1 | Bode George | 100 billion |
| 2 | Saminu Turaki | 36 billion |
| 3 | Patrick Fernandez | 32 billion |
| 4 | Tom Isegholi, Mohammed Buba and Mike Okoli (for The TransCorp  Plc) | 15 billion |
| 5 | Kenny Martins | 7.7 billion |
| 6 | Rasheed Ladoja | 6 billion |
| 7 | Roland Iyayi | 5.6 billion |
| 8 | Babalola Borishade | 5.6 billion |
| 9 | Eider George | 5.6 billion |
| 10 | Chimaroke Nnamani | 5.3 billion |
| 11 | Senator Nicholas Ugbane and nine other members of the House  of Representatives | 5.2 billion |
| 12 | . Orji Uzor Kalu | 5 billion |
| 13 | Nyeson Wike | 4.7 billion |
| 14 | 4 Senior Zenith Bank Managers | 3.6 billion |
| 15 | Michael Botmang | 1.5 billion |
| 16 | Ransome Owan and 6 others | 1.5 billion |
| 17 | Molkat Mutfwang and 3 others | 636 million |
| 18 | Femi-Fani-Kayode | 250 million |
| 19 | Jolly Nyame | 180 million |
| 20 | Boni Haruna | 93 million |
| 21 | Dr. Albert Ikomi | 43 million |
| 22 | Dr. Yuguda Manu | 17.5 million |
| 23 | [Iyabo Obasanjo](http://www.nigerianmuse.com/archives?text=Iyabo%20Obasanjo&bt=1) | 10 million |
| 24 | Joshua Dariye) | (amount not stated |

Source: Nigerian Tribune. <http://www.tribune.com.ng/10072009/news/news1.html>

Given that the NLC is not a security agency or a court of law, it is yet to be seen what use the EFCC list given to the Labour Congress is meant to achieve.

The Yar‟Adua administration‟s handling of the $180 million Halliburton bribe scandal over the award of contracts for the Liquidified Natural Gas (LNG) projects between the 1990s and 2000 which is said to involve a number of Nigerians including a former Head

of State and high-ranking government officials has left much to be desired. Given the high-profile names involved in this bribery case, it would not be a surprise that the case would be swept under the carpet like many of such cases before it.

The prosecution and sentence of Chief Olabode George by the EFCC is a commendable departure from the established tradition of the Yar‟Adua administration. The recourse to plead judgement which allowed for agreement on settlement terms that seriously waterdown sentences is a sad complement to the government commitment to fighting corruption. Mr. Luck Igbinedion, former governor of Edo state and Diepreye Alamieyeseigha, ex-Governor of Bayelsa state, both benefitted from such arranged judgments. When Mr. Igbinedion was found guilty of embezzlement of N4.4 billion of Edo state money, the Enugu High Court where he was prosecuted agreed to a plea bargain under which the former governor forfeited three properties and was made to pay a N3.5 million fine! This kid-gloves approach to the issue of corruption in Nigeria has not only engendered continued PCA by political incumbents, it has also not endeared the country to the international community.

## Conclusion

We have examined how democratisation created a basis for new forms of accumulation through the centralisation of resources and the control of the CBN by the General Ibrahim Babangida, extra budgetary spending on the political transition programme and general loopholes in the economic and administrative machinery which festered the nest of the military class and their cronies, both domestics and foreign. The conversion of political power and privileges into economic power we argued, have served the

instrumentalist purpose of building the precarious material basis of the domestic accumulating class.

Furthermore, the logic of state capitalism in Nigeria, we further argued, flows from the material crisis of the domestic accumulating class. Hence, state capitalism stands as a mechanism for redressing the accumulating inadequacies of the Nigerian domestic dominant class. We lay bare how the condition that privilege PCA over the classical capital accumulation and how this complicate and reproduce the crisis and contradictions of capitalist underdevelopment in Nigeria in the context of political democratisation programme from 29th May, 1999 to the present.

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## CHAPTER SEVEN

* 1. **RESEARCH FINDINGS, SUMMARY AND CONCLUSION**

## Research Findings

The study reconceptualised and theorised the nature and processes of capital accumulation in Nigeria. Specifically, we have provided fresh insights into accumulation based on the state-capital model in understanding capitalist development in Nigeria. The main findings of the study are identified and discussed below.

First, the study demonstrated that the Nigerian political economy is anchored on a state

- capital model, this provides an important basis for theorising about capital accumulation in Nigeria. There is an organic link between the state and capital in Nigeria, hence the continued centrality of the state to capital accumulation within the overarching context of the state-capital model.

The state-capital model represents a mechanism through which state power is deployed and used for the promotion of the economic advantages of members of the accumulating class; both domestic and foreign. Consequently, the state takes side with capital in economic exploitation and capital accumulation to the neglect of the development imperative of the nation.

Given this use of state power in aid of particularistic private accumulation, productive accumulation is subordinated to the imperative of PCA. This is analytically useful as a basis for understanding the crisis and contradictions of capitalist development in

Nigeria on the one hand, and the failure of neo-liberal ideology insistence on the market as a new basis of capital accumulation.

Despite over two decades of conscious promotion of the regime of the market as engine of capitalist development in Nigeria; starting from 1986 with SAP, the state as the primary basis of accumulation is yet to be replaced, and cannot be replaced, in spite of neo-liberal reform, as that the nature and character of the Nigerian state has not been fundamentally transformed and the weakness of the dominant class to accumulate without using the state is yet to be redeemed. The reason for this can be situated in the fact that the centrality of the state in Nigeria as an agency for capital accumulation for all the factions of the dominant classes - foreign, commercial, bureaucratic, military, comprador, technocratic, and political, follows from the inherent logic of a peripheral capitalist state, which permits accumulation without production.

The existence and continuation of the state-capital model as a basis for accumulation despite neo-liberal ideology, policies and programmes, is rooted in the state-capital relations. To this end, the state-capital model is a function of historical condition and the structural imperative specific to the Nigerian political economy. Thus, neo-liberal reform efforts meant to change the nature and mechanism of accumulation have been counter- productive. This is particularly because of the failure to take into account historical and structural conditions which give life and meaning to the political economy and the peculiar accumulating propensity of the dominant classes.

Furthermore, the neo-liberal reform agenda has been rather superficial, as it failed to address the fundamental question of the nature and character of the Nigerian state. Also

germane is the failure of neo-liberalism to factor into its project how the combination of the historical relations of the Nigerian state and international capitalism as well as the structural conditions of the Nigerian state affect the capacity of social classes, especially the dominant class as a possible productive capital accumulators and catalysts of capitalist development.

The dominant factions of the domestic accumulating class that should champion the regime of market accumulation are not well developed, having been improverished by colonial imperialism and function as a captured class in context of the post-colonial political economy. Members of this class are also subservient and dependent on foreign capital whose interest is to ensure continuity of transnational capital accumulation. Those domestic accumulating class, whose interests lie in national and genuine accumulation are few and weak, relative to the petty bourgeois comprador elements whose survival is linked to transnational accumulation from Nigeria (Beckman, 1988) without productive accumulation.

In the context of neo-liberal globalisation, foreign capital is more inclined towards speculative investments and accumulation without productivity in what is referred to as

„casino capitalism‟. As a result, the dominant factions of the domestic accumulating class and foreign capital are dependent on the manipulation of the political power of the Nigerian state in furtherance of their accumulation agenda, as against the classical capitalist accumulation through production.

In their attempt at controlling the state to ensure continued PCA, these classes at once are conflicting, at another time, they collaborate. To elaborate on an earlier point, the dependency of these accumulating social classes on the Nigeria state for accumulation

flows primarily from the historical underdevelopment of the productive forces which have serious implications for the fragile and precarious material basis of the dominant factions of the domestic accumulating classes.

The state in Nigeria is able to serve as a context of accumulation for the dominant classes for a number of reasons. First, lacking control over the requisite means of production for capital accumulation the state is deployed by the hegemonic classes as a context of accumulation.

Second, given its own economic inadequacies state capitalism became a veritable mechanism for accumulation and reproduction by the domestic accumulating class. In this context, state capitalism seeks to compensate for the economic inadequacies of the domestic ruling classes. With state capitalism, the dominant factions of the domestic accumulating class in Nigeria use its control of political power to make up for the lack of economic control over the Nigerian economy. By so doing, they wrestle or seek accommodation in the economic sphere with foreign capital who control the Nigerian economy.

The state-capital model of accumulation is preferred as the alternative would have meant a confrontation with foreign capital over the control of the Nigeria economy. When the weak nature and backwardness of this class are taken into account, this would amount to sel-destruction.

Third, the domestic accumulating class is the weakest of the coalitions using the state as a mechanism for accumulation, and it is the class whose survival is dependent on the state for accumulation. Foreign capital engages in accumulation in Nigeria, it

simultaneously accumulates at home and in other economies globally hence its survival transcends accumulation in the Nigerian

The state performs a class function by ensuring the perpetuation of the hegemony and mutual interests of the domestic and foreign accumulating classes in the pursuit of PCA. It can be seen that state central role in capital accumulation in Nigeria flows from the need to stabilise class rule, institute class hegemony for the ease of class-based accumulation. Above all, the state seeks to manage and ameliorate the crisis and contradictions of capitalism in Nigeria. It cannot be overemphasised that class stability is a categorical imperative before any meaningful accumulation can take place. It is in this respect that Marx and Engels‟ submission that the “... executive of the modern state is but a committee for managing the common affairs of the whole bourgoisie” (Marx and Engels, 1976:82) is apposite and approximates the Nigerian condition.

PCA aggravates the crisis and contradictions of dependent capitalism, promotes socio- economic crisis and poverty, made manifest in inflation, unemployment, underemployment, illiteracy, diseases, and crime, and many other social vices. These conditions are intolerable especially given the awareness of the increasing revenue accruing to the state from crude oil. The logic of PCA by both domestic and metropolitan capital engenders popular resentments and deepens the crisis and contradictions of dependent capitalism in Nigeria. Authoritarianism has been a mechanism by the dominant class in Nigeria to contain popular resentment to class-based exploitative rule.

The resort to authoritarian and iron-arms tactic by the Nigerian state triggers resistance and revolts by the exploited and the underclass. These struggles and popular resistance to unproductive accumulation and PCA over the years have found expression in protests by

the Nigerian Labour Congress (NLC), Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), National Union of Petroleum and Natural Gas Workers (NUPENG), the National Association of Nigerian Students (NANS), market women, and the Agbekoya, to mention but a few.

The state not only moderates the crisis and contradictions of capitalism, through social welfare provisioning, it also secures the necessary conditions for unhindered accumulation by the hegemonic classes through the use of its monopoly over the means of violence and physical cohesion. This explains the use of the state simultaneously as a means for class accumulation and for stabilising and guaranteeing continued class accumulation.

Given the disorganised nature of the exploited classes, their lack of political education, class coherence and class action, and more importantly, the organisational weaknnes of the exploited, they lack the capacity for the struggle for their liberation.

The overall implication is the privatisation of the state. That is, the institutionalisation of a captive state-capital model which engenders a state whose institutions and processes are seriously compromised. Rather than serve the general interest, the state having been effectively captured to serve private interest promotes the particularistic interest of the social classes in control of state power.

The study further demonstrated that in spite of divestiture and privatisation, private capital is still embryonic and heavily dependent on the state for production and reproduction of processes resulting in PCA which engenders capitalist underdevelopment in Nigeria. This is despite the fact that the logic of the neo-liberal

reforms is to engender a new circle of productive accumulation which expectedly would serve as a spring board for capitalist development in Nigeria.

The sale of public enterprises has only succeeded in changing the regime of property rights through the transfer of public properties to private individuals. Rather than eradicate rent-seeking activities and corruption, divestiture and privatisation have been marred by corruption and the institutionalisation of crony and pirate capitalism. The money realised from the sale of the public enterprises has not been handled transparently.

The privatisation programme empowered those who hitherto have privatised the state and derived private benefits from the state without paying for the state enterprises which they used as mechanisms for PCA. Privatisation has further increased the revenue available as primitive capital by the petty bourgeois comprador classes. In essence, privatisation has led to the conversion of state assets that were hitherto in solid form into liquid capital for ease of accumulation by the same people who bought these assets at below market prices.

As a consequence of divestiture and privatisation, the Nigerian people suffered tripple jeopardy losing the assets and the money realised from the sale of state-owned enterprises, as well as the attendant unemployment. A further loss of the Nigerian people as a result of divestiture and privatisation, the manifestations of which is not yet obvious, is the payment of monopoly prices as a consequence of the replacement of

public monopolies with private monopolies, when the privatisation of utilities like the power sector finally takes root.

The state-capital model which promotes PCA continues to concretise conditions that are unfavourable to productive accumulation in Nigeria. The result is that domestic industrialisation has become stunted with increased primitive and unproductive capital accumulation, institutionalised. Furthermore, since under the state-capital model there is excessive dependence on foreign capital by the state and dominant classes, capital expropriation and externalisation from the Nigerian economy has continued with serious and debilitating implications for domestic capitalist development.

As Roxborough (1979:58), argues, “The net effect of foreign investment is to create an outflow of capital from the periphery to the metropolis”. It is for this reason that capitalist development cannot be left to foreign capital whose sole interest is transnational accumulation. Thus, the primacy of the internal factors and dynamics for domestic capitalist development cannot be over-emphasised.

While Foreign Direct Investment (FDI) has its place, the long term implication which has to do with the desire of capital for self-expansion, makes reliance on FDI as against domestic resources conter-productive. Added to this is the fact that there is often incongruence between the desires for domestic capitalist development by nationals on the one hand, and on the other hand, the need for transnational accumulation from the domestic economy by foreign capital that controls the domestic economy.

According to the former Minister of Power and Steel, now Governor of Rivers State, Liyel Imoke (cited in Abba, Ogbodo & Daniel, 2008):

Though the 6th largest producer of gas, she [Nigeria] lacked enough gas to fire her power stations. All our gas is committed by oil companies. They are powerful. For the next twenty -five years all the gas in Nigeria has been sold and there is no gas to solve our domestic needs.

Third, the study showed that through financial liberalisation, the quantum of manufacturing and industrial capital released into the accumulation process has dwindled, alarmingly. In other words, resources are increasingly diverted for unproductive accumulation which is not beneficial to the overall economic health of Nigeria since the nation embarked on the road to financial liberalisation. This has given way to increasing dominance of social classes engaged in accumulation based on financial and the banking activities under a new regime of accumulation mediated by the state.

Since the introduction of the SAP in the mid-1980s, the liberalisation of the financial sector of the Nigerian economy has been implemented by successive administrations, with varying intensities, but with unswerving ideological commitment. As a consequence, not only has the number of banks and NBFIs increased exponentially, the financial sector, despite its low value-added potentials, has become the main driver of the Nigerian economy with dire consequences for domestic capitalist development.

Given the concentration of operators of the Nigerian financial sector on speculation under the prevailing profitable foreign exchange regime as well as other arbitrage opportunities provided by financial liberalisation, the extant function of banks as institutions for the intermediation of funds to productive ventures has been stiffened

with increased transfer of funds by banks to unproductive but highly profitable ventures. The highly profitable nature of the financial sector as a result of liberalisation has made this sector the focus of members of the Nigerian petty bourgeoisie comprador class. Rather than invest in manufacturing and sundry productive activities more and more people have shown preferences for establishment of banks and other NBFIs.

The avowed utility of neo-liberalism in general and financial liberalisation in particular indicates that the percentage increases in banks and NBFIs since the beginning of financial liberalisation easily dwarfed those of the manufacturing and other productive sectors of the Nigerian economy. There have been increased closures of manufacturing and industrial concerns due to the fact that the greater percentages of funds available to banks do not go into manufacturing and other productive activities despite their potentials as the fulcrum for capitalist development of the Nigerian economy. Rather than fund industrial development, post-liberalisation banks prefer giving their funds for the purchases of stocks, commercial activities, supplies and contracts financing, oil importation, amongst other low/ non-value-added activities.

Lewis (1994), and Lewis & Stein (1997) confirm the scarcity of investible capital flow to industries as a consequence of the introduction of financial liberalisation which was manipulated to favour diversion of banking funds to non-productive ventures. The increases in the banks and non-banking financial institutions since the introduction of the regime of financial and banking liberalisation bears testimony to preference for unproductive accumulation and the ascendancy of a social class disposed to this kind of accumulation.

In the last two decades, the most prevalent investment in Nigeria has been stocks and oil related transactions. Banks not only prefer to give loans for buying shares, they also engaged in the warehousing of their own shares thus promoting artificial prices of these stocks on the market. The recent crash of the Nigerian Stock Market which has resulted in the loss of about two-thirds of their market value (Duggan, 2009: 2) has been traced to risks takens by banks. Banks advanced funds running into billions of Naira to customers to buy stocks, sometimes using their own stock are used as security for the loans by the banks, exposing the banks to serious risk.

Several stockbrokers and individuals are indebted to the banks for margin facilities taken to purchase the shares of these banks whose prices until recently were high due to artificial demand. With the crash, the prices of stocks have fallen to an all-time low, making it difficult for the debtors to repay the loans borrowed from the banks to buy these stocks. As a consequence of the fallen prices of the stocks which were used as collateral security for the loans, it becomes difficult to recover these loans through the disposal of the stocks.

As Alhaji Arisekola disclosed following the publication of his indebtedness to Oceanic and Intercontinental banks, like many rich Nigerians, the banks came begging him to take loans for the purpose of buying public offers during the bank consolidation exercise between 2004 and 2005 (Abimboye, 2009). Arisekola (cited in Abimboye, 2009) notes, “The banks mentioned did not give me money to build my farm tank. They

bought shares for me and the shares they bought crashed. The CBN is now saying that I am a debtor.”

Genuine manufacturers and industrialists in need of funds to invest in production were ignored by the banks. As Abimboye (2009) notes:

To outdo one another, bankers begged rich businessmen to take huge facilities termed margin loans, to buy their banks‟ stocks. All they needed to do was provide 30 percent of the cost of whatever quantity of shares they wanted and the bank would loan them the balance. Arisekola, reputed to be one of the wealthiest Yoruba men, was one of those whose companies were persuaded to take the unsolicited loans.

Ordinary Nigerians who were brought-in by the shares hype of the banks lost several billions of Naira, just as there was scarcity of funds for productive investment.

The crisis within the Nigerian banking system as a consequence of financial liberalisation is exemplified by the publication of the loan portfolio of the five banks; Intercontinental Bank Plc, Union Bank Plc, Oceanic Bank Plc, Afribank Plc and FinBank Plc, whose Managing Directors/ Chief Executive Officers and Executive Directors were sacked by the CBN as a result of the suffocating presence of their non- performing loans.

From the CBN publication a clear pattern of disbursement of loans by the banks is discernible. It is also clear which social classes benefited from the loan disbursements by the banks. Almost all the loans went to non-manufacturing related concerns; mostly oil and Stock Market transactions. Similarly, those behind the companies that granted the loans are not people involved in manufacturing or entrepreneurship. On the

contrary, the beneficiaries of these non-performing loans are mostly politicians and their cronies, and members of the petty bourgeois comprador classes in control of the Nigerian state.

To give a typical example, the highest debtor to the two banks mostly affected by the crisis in the Nigeria banking sector, Intercontinental Bank Plc and Oceanic Bank Plc are companies operated by Mr. Henry Imasekha; a front for Mr. James Ibori, the former governor of Delta state and an immensely powerful politician in the Yar‟Adua administration. Three of his companies have non-performing loans totalling N81 billion. The breakdown of the non-performing loans according to the CBN is as follows: ASCOT Offshore Nigeria Limited is indebted to Intercontinental Bank Plc to the tune of N44, 670,080,228.83k; Notore Chemical Industry Limited owed Oceanic Bank Plc N32, 392,951,000: 00; and Berkeley Group Plc have outstanding non-performing loan of N4, 300,000,000: 00 with Oceanic Bank Plc. These banks have been taken over and renamed by the CBN.

Fourth, the study demonstrated that oil-based accumulation has blurred, disrupted and distorted the systematic growth of the productive domestic capitalist class in Nigeria and in the process has made production less central to the general pattern of accumulation. In this context, two of the fundamental implications of the oil political economy in Nigeria are, (i) the aggravation of dependent capitalism and its crisis and contradictions; and (ii) the underdevelopment within the context of a rentier state.

The dependency of the Nigerian state as a consequence of its role in the international capitalist system has become entrenched as a result of the fact that oil and its

technology; the very basis of accumulation and reproduction of members of the dominant classes in Nigeria, are monopolised by foreign capital. To this end, the logic of self-interested survival dictates and commends the continued dependence of the Nigerian domestic accumulating classes on metropolitan capital whose interests negate the need for the capitalist development of the Nigerian state.

Under a rentier state, the domestic accumulating classes effectively handover the Nigerian economy to foreign capital whose activities and operations determine rentier accumulation, specifically through the Incorporated Joint Venture (IJVs) with the oil multinationals.

As a dependent capitalist nation, the forces controlling the Nigerian political economy are outside its shores. This robs the Nigerian economy of the necessary independence to determine what to produce, how to produce and when to produce and for what purpose social wealth is to be used. The trajectory of the rentier state in Nigeria is the obliteration of the necessity for productive accumulation in its entirety. For the members of the domestic accumulating class reproduction is a function of increased and sustained flow of commercial rents.

The weak organic linkages between oil, financial and banking sectors as well as agriculture and industry, suggest the weakness of the domestic accumulating class and their capacity to carry out the project of capitalist development in Nigeria. In this context, maldevelopment is an intricate project involving dominant class forces/alliances mismanagement of the domestic political economy. This alliance

between metropolitan capital, the dominant factions of the accumulating classes and key state actors have created the ideological and social context for oil-based accumulation in Nigeria ensuring that it is effectively anchored on PCA and unproductive capitalism.

## Summary

Chapter One of this study gives a general overview of the thesis. The core problem to be examined, the objectives of the study, research questions, the scope of the study were explained. Conceptual clarification were made in this chapter. Chapter Two constitutes literature review and the theoretical framework. This centred on liberal and radical perspectives of political economy. The emphasis was how these perspectives impacted on the state and the implications for social classes and capital accumulation.

Chapter Three is the methodological chapter. Here we principally examined the framework of analysis. Our framework was eclectic, drawing heavily on the most useful aspects of the underdevelopment, dependency, World System and Marxist frameworks. We set out a critique of each approach and concluded by outlining their most useful and relevant contributions to the understanding of political economy and accumulation in a neo-colony such as Nigeria.

Chapter Four examines oil and accumulation in Nigeria. Here we historicised the political economy of Nigeria from the colonial to the neo-colonial economy, and from agriculture to oil. All these produced varying social classes and accumulation patterns. They also have varying implications for the character of the emergent state. We then conceptualised the various models of accumulation.

Chapter Five examined the various reforms that were undertaken by the political class and how they impacted on the nature and character of accumulation, beginning with the military in 1986 to the second coming of President Olusegun Obasanjo. We examined SAP and its effects, the financial and banking sector liberalisation, power sector reforms and divestiture and privatisation in general. We contended that this created a new form of accumulation.

Chapter Six shows how the process of democratisation created a basis for new forms of accumulation, through the centralisation of capital and the control of the CBN by the IBB administration, extra budgetary spending on the PTP and general loopholes in the economic and administrative machinery which festered the nest of the military class and their cronies, both domestics and foreign. The institutionalisation of corruption as strategy of PCA by the political class under the Obasanjo civilian administration since the return to civil rule on 29th May, 1999 was also examined.

Chapter Seven discussed the key findings of the study, summary and conclusion. We contend that the state-capital model best describes the accumulation pattern of the dominant social classes in Nigeria. And that the PCA is the most useful explanatory variable in understanding oil-based accumulation. Furthermore, that due to the limited autonomisation of the state and the weak material base of the dominant class, the state- capital model engenders a captive state incapable of resolving the crisis and contradictions of dependent and peripheral capitalism in Nigeria. In other words, the state robs itself of the capacity to mediate the class struggles in Nigeria and to enforce the discipline and independence that are *sine qua non* for productive accumulation as a basis for domestic capitalist development.

We also note that the general objective of this study is to theorise and conceptualise capital accumulation in neo-colonial Nigeria. In doing this it examined the nature and character of the accumulation processes in Nigeria. Three other ancillary issues investigated in this study are: (i) the role of the state in capital accumulation in Nigeria;

(ii) the role of social classes in the capitalist underdevelopment in Nigeria; and (iii) the study of oil exploration, production and distribution, which result in oil-based accumulation.

Taken together, the study examined the contemporary forms and manifestations of capitalist underdevelopment in Nigeria on the basis of the pattern of capital accumulation, involving local and foreign accumulating social classes. Thus, the central thesis of the study is that the nature and character of accumulation in Nigeria which is PCA, is the root cause of the crisis of capitalist underdevelopment in Nigeria.

## The Nature and Character of Accumulation in Nigeria

From the analysis in Chapters Four, Five and Six, as well as findings and discussions in above, the central propositions of the study have been validated. Two conclusions from the analysis of data are also pertinent. First, there are historical and structural bases for the capitalist underdevelopment of the Nigerian state.

Second, the failure and neglect by the agents of neo-liberalism in Nigeria to give consideration to the structural basis of the crisis and contradictions of capitalism robs the state of the ability to resolve capitalist underdevelopment. The logic of making the private sector the engine of capitalist development by neo-liberals begs the issue. The incorporation of the private sector into the rentier economy makes the notion that the

private sector in Nigeria is the engine of development delusive. Historically, the Nigerian private sector has been the major beneficiary of massive government expenditure in all aspects of the Nigerian political economy through which it appropriates primitive capital.

Neo-liberalism has aggravated the crisis of PCA by the accumulating classes in Nigeria. Paradoxically, a primary agenda of neo-liberal reform was the elimination of rent- seeking. However, the Nigerian domestic accumulating class in order to ensure their survival and reproduction have devised new methods for the manipulation and circumvention of the neo-liberal policies which seek to curtail PCA.

From Nigeria‟s experience, neo-liberalism has succeeded in throwing up further crisis and contradictions which frontally negate the possibilities of capitalist development in Nigeria, and by extension, the survival and the institutionalisation of dominant class hegemony. This crisis and contradictions of capitalist development in Nigeria are rooted in the prevailing state-capital model and the peculiar regime of accumulation it favours. While the neo-liberal reform policies in Nigeria reduced the attraction of mercantite- based accumulation, the dominant class in Nigeria manipulated their control over the state to institute a new regime of financial-based accumulation. The captive state- capitalist class in Nigeria and peripheral capitalism are at variant with the development of domestic capitalist system in Nigeria.

In Nigeria, technological backwardness, and the lack of motivation to develop the required technology is a major problem of accumulation by the domestic accumulating classes. This fosters reliance on the state and alliance with foreign capital by the domestic accumulating classes.

It is within this context that the enterprise of privatisation in Nigeria, like that of Import Substitution Industrialisation (ISI) does not engender local ownership of technology by the domestic accumulating classes. Cardoso calls attention to the utility of technology as a device for accumulation from the Third World nations to the advanced capitalist economies. As Cardoso (1972: 91) rightly argues, “Through technological advantage, corporations make secure their roles in the global system of capital accumulation”.

However, it cannot be over-emphasised that the state plays a central role in PCA by the accumulating classes. While the Nigerian state promotes profit for business through PCA, it negates the development of domestic capitalism (Heilman & Lucas, 1997). Therefore, contrary to the position of the liberal theories of the state, the Nigerian state is not a neutral institution, but an organ of class rule lacking in autonomy and compromised to the accumulating classes.

As Edigheji (2005) notes:

The combination of autonomy and embeddeness by the developmental state is the basis of its efficaciousness. These seemingly paradoxical characteristics are mutually reinforcing and jointly safeguard the state from capture by particularistic interests, which are capable of destroying both the state internal coherence and its ability to interact with its economic partners.

The reliance on foreign capital as an indispensable condition for accumulation by the domestic classes further promotes the crisis and contradictions of capitalist development in Nigeria. The goal of capital everywhere is the promotion of its self-expansion and multiplication. All other reasons are subordinated to this logic of reproduction of capital.

As Yaqub (2009:370) notes:

In point of fact, capital goes to any place to seek, first and foremost, its own expansion and not the expansion of any social formation, per se; therefore, any positive spin -off for any particular

society should be seen as largely incidental and a tribute to the resolve of the people of such societies to take, as it were, the bull by the horn. Essentially expressing the same point from another perspective, it is also the logic of capitalism that anywhere it expands to, it principally exploits both the people and the territory where it has expanded.

The expectation of capitalist development based on the dependent and decadent capitalist system in which foreign capital is hegemonic in Nigeria is largely misplaced. As Humphries and Wa**l** ace (1980:179) argue, “Accumulation [foreign capital] organizes production for the extradition of surplus value but proceeds unevenly; capitalist investment shift, accelerating industrial development in one area but retard it in another”.

To be sure, the development of capitalism has never been one of the many functions for which the Nigerian state is oriented and deployed. The very nature and character of the Nigerian state precludes this necessity. The failure to develop domestic capitalism in Nigeria is a function of the nature and character of the state and the deployment of the state as a mechanism for PCA rather than for capitalist development. Similarly, neo- liberalism was not meant to engender the development of domestic capitalism in Nigeria given its inherent contradictions.

The interest and focus of the state is heavily determined by the hegemonic forces to which the state is subjected. The state exists for the purpose and interest of private capital. The accumulative interest of private capital is inversely correlated to the objectives of national development. It therefore stands to reason that public authority will promote national development only if the powerful alliance (foreign and local) that held the Nigerian state hostage so desire, or in the alternative when there is a revolutionary change by the oppressed classes.

With the institutionalisation of a state-capital model of PCA and the centrality of this for the power over the state and the survival of the different factions of the domestic accumulating classes, an intra-class struggle takes place within the accumulating classes in Nigeria, especially the petty-bourgeois, commercial, bureaucratic and political classes.

The conditions for social accumulation and resource redistribution are skewed in favour of the factions of the dominant class that are disposed to unproductive accumulation. The unproductive accumulation orientation of these factions of the accumulating class in control of state power has fundamental implications on domestic capitalist development. Increased concentration and centralisation of wealth through PCA in the hands of the dominant accumulating classes is inversely related to the impoverishment of the citizenry, infrastructural decay, de-industrialisation, the underdevelopment of productive forces and capitalist underdevelopment in Nigeria.

In Nigeria, the *audacity of looting* and favourable cost benefit of corruption, ensured that awarded contracts were in most cases not executed. Hence, PCA by the accumulating social classes in Nigeria takes place without productivity, with most of the illicit capital exported abroad far from the Nigerian borders where it could be put into use in production to generate positive multiplier effect.

Therefore, privatisation as a new circle of accumulation is a project for the benefit of the social classes that rendered the SOEs undergoing privatisation in the first instance unviable and unprofitable through PCA. Privatisation is but a convenient formula for achieving market fundamentalism accumulation of capital from Nigeria.

## The Role of Oil-Based Accumulation in Maldevelopment

The centrality of oil to Nigerian political economy has resulted in the crisis of accumulation. Rather than oil promoting development, it has in multiple ways compounded the crisis and contradictions of dependent capitalism in Nigeria. Not only has oil led to the neglect of agriculture which was hitherto the mainstay of the Nigerian economy; and in the early 1960s positioned the country on the path of positive development as manifested in the competitive development profile of the then regional governments, oil has negatively impacted on the culture of productive accumulation that before now characterised the Nigerian state and people. The negative effects of oil- based accumulation manifest in the further entrenchment of Nigeria into the orbit of international capitalist system, the institutionalisation of a rentier state, and the preference for PCA as against productive accumulation.

Other fallouts of the oil-based accumulation in Nigeria are the underdevelopment of the forces of production, elite conspicuous consumption, social and economic disarticulation caused by the enclave nature of the oil economy as well as the inequalities and imbalances in income and spatial unequal development between the urban and rural Nigeria. Similarly, oil-based accumulation in Nigeria has resulted in successive regime of non-accountable and corrupt governance, which continues to produce crises and instability within and between groups all over Nigeria.

The above situation cannot be separated from the fact that there is a disconnect between accumulation and production. Since those in control of the state do not rely on domestic production and capital accumulation, for class and regime survival, the state and its agents are more accountable to foreign capital that controls the technology used for oil-

based accumulation and side with foreign capital against Nigerian citizens as evident in the Niger Delta crisis in order to secure continued accumulation and hegemony.

Schatz (1984:45) captures the negative effects of oil-based accumulation in the Nigerian political economy when he argues that as a consequence of oil-based accumulation Nigeria has under gone a transition from nurture capitalism to what he called pirate capitalism. This calls to question the whole development enterprise in Nigeria and the interest it serves.

Development is seen as empowerment, freedom for the masses, and the control over the material condition of the people within a given ecology as well as the negation of exploitative relations, oppression and authoritarianism in socio-economic and political life within the state. Development must also entail the liberation of the the forces of production and consequently the enthronement of productive accumulation.

It is clear that the neo-liberal ideology as represented by trade and financial liberalisation and privatisation is antithetical to the goal of genuine national development in Nigeria. Neo-liberalism has so far negated genuine national development in Nigeria. This is particularly so given the inability of neo-liberalism to promote national self-reliance, control over forces of production, in particular, the technology, and stock of human capital in Nigeria.

## Contribution to Knowledge

* + 1. The study demonstrated that the state-capital model provides an important basis for theorising about accumulation in Nigeria
    2. The study showed that economic crisis has further ensured that a large section of the domestic/private sector accumulating class is in complete alliance with the state on which it depends to reproduce itself. We call this class a state-captive class. Furthermore, divestiture, deregulation and privatisation have given rise to a new regime of accumulation in a new context that is mediated by the state. This has further deepened the crisis of maldevelopment.
    3. The study demonstrated that the weak link between oil, financial and banking sectors- suggests the weakness of the domestic accumulating class and their capacity to carry out the project of capitalist development
    4. The study showed that maldevelopment is an intricate project involving dominant class forces/ alliances. The alliance between metropolitan capital, the dominant factions of the accumulating class and the key actors of the state have created the ideological and social context for oil-based accumulation in Nigeria.

In this study we have illustratively proven that the crisis and contradictions of capitalist development in Nigeria are intricately linked with the state-capital model of accumulation and the prevalence of PCA. The alliance of the petty bourgeois comprador classes in control of the Nigerian state with foreign capital has deepenend

the dependent nature of the Nigerian economy. Consequently, the logic of oil-based

accumulation in the context of Nigeria‟s rentier economy has complicated the crisis of capitalist underdevelopment in Nigeria following the introduction of neoliberal ideology.

Rather than engendering a new circle of accumulation, neo-liberalism has promoted the state-capital model and unproductive accumulation in place. Structural Adjustment and privatisation are economic projects that were achieved through political means. They also marked the subordination of the national bourgeoisie to the petty bourgeois comprador classes. As a result, the state-capital model in essence is a political expression of the defeat of the national bourgeoisie.

The study concludes that neither neoliberalism nor the state-capital model of accumulation can engender capitalist development in Nigeria. There is need for alternative models that are autocentric, Afrocentric and rooted in the productive forces.

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**A. Oral Evidence**

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