

## **THEORETICAL APPROACH TO ECONOMIC REFORMS AND ITS IMPLICATION ON NATIONAL SECURITY IN NIGERIA**

Muhammad Adamu

Kaduna State Polytechnic, Kaduna.

[mohdshiwidi@gmail.com](mailto:mohdshiwidi@gmail.com)

Abubakar Abdullahi

Government Unity College, Gummi, Zamfara State

### **ABSTRACT**

*Economic reforms policies and programmes are internationally designed approaches by the World Bank and I.M.F with the aim to reorganize and reposition the economies of the developing and underdeveloped countries and the Third World towards re-servicing their economy by creating employment and reducing poverty, Nigeria inclusive. Using a combination of the primary and the secondary methods of data collected, the study distilled that those World Bank and IMF programmes and their monetary policies- SAP, deregulation, and liberalization instead elevate the level of poverty, unemployment, inequality, providing the context for youth idleness and attendant implication on national security. Equally, the authors used underdevelopment theory as the theoretical base for the study to assess the nexus between economic reform poverty vis-a-vis national security in Nigeria. The paper confirmed that failure of previous attempts at poverty alleviation and reform policies on economy largely contributed towards hiking the tempo of insecurity, thereby rendering Nigeria as vulnerable and easy prey for indoctrination of youths into terrorism which in turn affected the efficient sustenance of national security of the country. The study recommended that the Federal government of Nigeria should learn from the Asian Tigers by designing and adopting a manual for Nigeria's economic emancipation taking into consideration of domestic factors as pillars for the sustenance of socio-economic development that are in tandem with Nigeria's national security structures.*

**Keywords:** Theory, Economic Reforms, National Security.

### **INTRODUCTION**

It is daunting to note that Nigeria has enjoyed priority in the Guinness Book of record as the top poorest countries at the threshold of the Twenty-first Century, Igbuzor, (2004). It is ironic that Nigeria, the sixth largest exporter of oil is at the same time host to the third largest number of poor people after India, Baden, (1997). As the country emerged as a politically independent nation in 1960, it was with the high hope that the country would become one of the most politically stable, socially harmonious and economically prosperous countries in not too distant future. The abundant agricultural and mineral resources gave credence to this hope.

The oil sector is the core source of national revenue and foreign exchange earnings. Hence, in four decades, Nigeria's revenue grew at a high rate. The rate at which according to Central Bank Statistical Bulletin, (2005) the revenue grew from N634.0 million in 1970 to N5,

547.5 Billion in 2005. (p. 26).By the middle of the 1980s, Nigeria came to be afflicted by a devastating economic crisis, arising from the decline in world crude oil prices. Ibeanu (2004) argued: The 1980s opened with the almost total collapse of the Nigerian economy. Industrial capacity was about 20%; there was a massive layoff of workers in the private and public sectors, inflation rose from 7.7% in 1982 to 23.2% in 1983, GDP fell by 4.4% in 1983. Per capita declined from \$960 in 1980 to about \$300 in 1987. (p. 11).

The nation owed a substantial external debt until the 2006 Debt Relief from Paris club. The abject poverty of the citizenry remains an enduring legacy of mismanagement over the last two decades. According to National Bureau of Statistics (NBS), (2017), declared that Nigeria has 11.30% unemployed youths. The figure is little over to that of 2016, which means the present state of the economy translates to thousands of people as unemployed, millions of Nigerian wallowing in poverty and people not having access to necessities such as potable water supply; electricity; healthcare and food. These pose a threat to Nigeria's security.

To Hardener, (1981) and Buel, (1979), security implies the build-up of a formidable military defense to protect the territorial integrity of the state from both internal and external aggression. Viewed from the perspective, McNamara cited in Akindele (2001:18) posit that: the security of any nation or entity lies not solely or even primarily in its military preparedness but also in developing relatively stable patterns of economic development and political growth at home and abroad.

Nigeria's economic policies and the challenges started early in the 1980s when Alhaji Shehu Usman Aliyu Shagari was the President of Nigeria. Responding to the economic crisis in Nigeria, he introduced austerity measures. President Shagari's measures started with the promulgation of economic stabilization programme in April. The idea was to reduce government expenditure and curtail imports, Abdu, (1996). Shagari's led administration also introduced the scheme known as Operation Feed the Nation. In 1983 when General Muhammadu Buhari toppled Shagari's government, he came up with stabilization policy. The General Muhammadu Buhari's stabilization policy was to rigorously enforced and consolidated Shagari's 1982-83 economic measures. The decisions slashed foreign travel allowances, retrenchment of workers in public sector, curtailing of public expenditure, Abdu, (1996). When General Ibrahim Badamasi Babangida came to power in 1985, he focused on reforming the country's economy to salvaging the country's economic quagmire. In 1986 General Ibrahim Badamasi Babangida introduced Structural Adjustment Programme (SAP), towards addressing the economy and its looming crisis. For instance, the adoption of some policy measures like Directorate of Food, Roads and Rural Infrastructure (DFRRI); Agricultural Development Programme (ADP) is a case in point.

It is against this background that the paper critically reviewed economic reforms, poverty, and national security in Nigeria from 1999 to 2013. The justification for the choice of the study is premised on the fact that this period marked significant turning point of the economy when price of crude oil rose from \$40 per barrel in 1999 to almost \$100 per barrel in 2007 which NBS described as without reciprocating on the country's economic and poverty level (National Bureau of statistics, 2012).

However, the study examines the impact of economic reforms towards reducing poverty and improving security. Although many studies carried out on poverty and security did not demonstrate the relationship between the trio government policies, poverty, and security. We attempt to fill in the gap created by these studies, expound the relationship between the tripartite variables identified, as seen through the following research questions, objective and hypothesis:

### **OBJECTIVE OF THE STUDY**

In effect, the study is set to achieve the following objectives:

- i. To examine the factors that led to the failure of Nigeria's economic reform policies.
- ii. To identify the implications of poverty on Nigeria's national security.
- iii. To establish the nexus between poverty, economic reforms and national security in Nigeria
- iv. To provide alternative synergy for a better Nigeria's economic policy.

### **LITERATURE REVIEW**

Ariyo, (2006:166) sees economic reforms as any form of policy or institutional intervention that changes or seeks to change the process of economic policy design and implementation to ensure a better and more purposeful management of the economy.

In his part, Kwaako, (2007:7) sees economic reform as an attempt to truncate the dwindling fortunes of the economy, and thereby enhance sustained improvement in the welfare of the citizenry. The reform connotes government action to improve efficiency in capital markets to overcome regulatory and statutory impediments. It also implies legislative efforts to reduce the size of government, to improve economic efficiency (Worldometre, 2016). The assertions made by Ariyo and Kwaako above seem contradictory. While Ariyo views the reform from the perspective of institutionalism, Kwaako centered his argument from the liberal economic point of view. Suffice to say that both Ariyo and Kwaako aimed at disengaging public funds from the hands of a minority to the general public for a self-reliant and independent economy that can cater for the welfare of the people. However, unfortunately enough, owing to the systematic corruption, the Nigeria's economic structure makes a few men richer than the state itself, *The Plunder Rout to Panama*, (2017:15). However, Masud (2016:1) quoted Olken, and Pande, (2011) that, this is not surprising because available literature suggested that corruption is rampant in the developing world and more prevalent in developing countries than in rich ones.

At the African scene, according to the report "the entire Presidents' Wealth" by the Congo Research Group, like President Kabila's family's mining operations benefit from armed protection by the presidential guard. Besides the fact that this would be an unlawful use of state money, the president of the country mines for himself with armed men protecting him, why shouldn't any local militia do the same? Why should 'official looting' be protected? Similarly, recent research on 'unintended consequences' of the American Dodd-Frank law on clean certification of minerals showed that such 'clean mining' arrangements had harmed artisanal miners who do not have ways to have their earnings certified. Analysis by the Center for Strategic and International Studies in the US has listed such unintended consequences as

unemployment, poverty and a resurgence of banditry, among others. These are the nasty experiences with the economy in Nigeria. *The Plunder Rout to Panama*, (2017).

It is important to mention that the reform is not peculiar to Nigeria alone. Almost all countries and the world over have undertaken different forms of reformation and modification. The contents and strategy of reforms varied, depending on country's dependency and circumstances at hand, Kwanashie, (2015).

The current trends of economic reforms worldwide takes root from the neo-liberal economic postulations. Neo-liberal economics assumed that a country's economy should open with a competitive market; the firms are expected to earn a profit without any external subsidy or protection. World Bank and International Monetary Fund relying on the neo-liberal economic theory advocated that governments in developing and transition economies should cut subsidies, liberalize prices and privatized State Owned Enterprises (SOE). However, the born-again market ideology under the name of neo-liberalism circulated rapidly to other parts of the world. The Nigerian economic reform is in line with Neo-liberal economics as advocated by the World Bank and International Monetary Fund.

Accordingly, Essien's (2005) definition of reform on the economy, he classified it into first-generation and second-generation reforms. The first generation reforms are geared towards opening the economy to foreign competition, giving market forces the leading role in local resources and reducing the public sector's role in productive activities. The second generation reform, on the other hand, aimed at a complete transformation of the state and the setting up of government institutions that will guarantee the rule of law, while supporting private sector initiatives and activities. Gunde (2007), quoting Professor Lin said:

“the economic reform has been dictated by World Bank, and IMF may be suitable for market economies, but it may not be for developing and transition economies and indeed African countries.”

Many developing countries actively implemented market-oriented economic reform programmes espoused by the WB and IMF. Evidence in these countries has revealed that the reforms have not recorded significant successes. Baden, (1997) and Obadan (2003) observed that these countries witnessed worsening income distribution, increased poverty and conditions of living deteriorated to intolerable levels. Similarly, the economic reforms created the viability problem and the failure of State Owned Enterprises (SOE) reforms in China, Latin America, the Soviet Union and the countries in Eastern Europe. There were also the problems of social burden, retrenchment, inequalities in income and outbreak of the international debt crisis.

Alissa (2007), posits that three main factors influence the success or failure of any economic reform program: the lack of shared understanding of what this reform means and entails, or a standard agreed plan of action to implement the proposed reform; limited state and institutional capacities to absorb and implement those reform agenda; and the mismatch between economic status quo vis-a-vis political system operating.

## **THEORETICAL REVIEW AND FRAMEWORK**

For this study **Dependency Theory (DT)** is adopted as a framework for analysis. Dependency theory critically captures and explains the phenomenon of poverty and underdevelopment in Nigeria. According to the Dependency Theory, the core or the Global North exploits the Periphery or the Global South. Kegley, (2007) argued that towards the end of the 20<sup>th</sup> century in the 1970's and 1980's, with the modernization theory heading towards failure due to widespread poverty throughout the world, the dependency theory came into play stating that developed nations were taking advantage of underdeveloped ones in the process of exchange to their benefit; thus, causing these third world countries to become powerless and more dependent. According to the theory, underdevelopment is a product of capitalist development. Ake (1981:32) argued:

Western powers dominated African economies, but the domination is the effect of a particular manner in which they have been integrated into the Western capitalist system. Much the same thing might be said of dependence. The dependence of African economies is the effect of the integration of African economies into the world capitalist system.

Similarly, Rodney (1972:34) argued that the integrative nature of the Africa economies make it subsumed into the very structure of the developed capitalist economies, and are integrated in a manner that is unfavorable to Africa and ensures that Africa is dependent on the big capitalist countries.

Dependency theory upholds that the peripheral position that these nations have in the international division of labor caused poverty and backwardness in developing countries. Ever since the capitalist world system evolved, there is a stark distinction between the nations of the center and that of the periphery. Income inequality, and hence, relative poverty in the nations of the world system is linked to trade partner concentration of the peripheral country and a trade structure that relies on the exports of raw materials and the imports of the finished product, Kohler, (2002). Confronting poverty is an ethical, political, economic, social and worldwide imperative.

Poverty exists because of the operation of a capitalist economic system which prevents the poor from obtaining the financial resources to become non-poor, Westergaard & Resler cited in Haralambos, 1980. Like Westergaard and Resler, Kincaid (1980) sees poverty resulting from the operation of a capitalist economy which produces a particular form of social stratification. It is merely that there are rich and poor. It is that some are rich because some are poor. Mass poverty in countries like Nigeria is the expression of inequity in the relations of production, which in turn generates grave inequalities among the group, Ibeanu(2004). Also, a recent World Bank report indicates that poverty has in fact doubled in Nigeria in the last 20 years, Usman (2017:3).

According to Usman, Nigeria is currently rated among the lowest ten in the World on the human development index, this despite the abundant human and natural resources with which the country is endowed with.

Ibrahim (2004:240) argued that Structural Adjustment Programmes (SAP) promote the interest of the dominant class, hence adopts policies that are harsh to a layman. It has been imposed on and embraced by most African countries like Nigeria over the past fifteen years to worsen the living condition of ordinary man. The International Financial Institutions involved in the design and implementation of SAP have refined and used it as an instrument of political repression because its social effects are such that oppressive regimes applied.

For developing countries like Nigeria needs not to depend on developed countries to get itself out of poverty. Because for developing countries to get developed, in accordance with the dependency theory, the capitalist system would need to collapse, and that will be difficult.

## **ANALYSIS AND DISCUSSIONS**

If the nation's social and economic system is malfunctioning, it calls for reformation. Of course, the citizen's welfare suffers jeopardy when reforming an economy is devoid of a human face. For example, the public sector reforms embarked upon by the administration of former president Olusegun Obasanjo saw the disengagement of 121,731 workers from the Federal Public Service between 2006 and 2007. More so, it was apparent that a total of 48,037 officers suffered in the civil service in the first year of Late President Yar'adu's administration, 2008. The reform also hit the banking sector with the massive retrenchment of workers. The oil industry was not left out. NNPC alone pruned its workforce from 17,000 down to just 9,000. The reform in Obasanjo's words will have to wear 'a human face' if they are to gain widespread acceptance, Jason(2007).

In contrast, the government has slimmed applicants chances to fill vacancies available within the same period without creating other opportunities. For instance, out of over 105,000 candidates who applied for employment into Federal Inland Revenue Service (FIRS) in 2010, only 1,858 persons were recruited. The rest were left unemployed, Akeredolu(2010).

Similarly, the presence of over-aged workers due for retirement but refused to retire and left no opening for fresher to come in. A study carried out by the Bureau of Public Service Reform indicates that succession potential into the Civil Service by the age profile is critically downfallen. Using 25 years as the optimum age of degree graduate into the Civil Service on GL.08 and a maximum 35 years in service to attain the age of compulsory retirement age of 60 years.

Federal Civil Service Commission (FCSC) prescribed promotion eligibility, grade level stay of 3 years between GL.08 and 15 and 4 years between GL.15-17, the study shows that 91.5% of the officers were found to be over-age for their grade levels and position occupied. Thus the succession potential was less than 20% in all cases, Adegoroye(2006).

The above findings have a severe implication for employment opportunities, especially for the youths who are more vibrant and energetic. Most people blamed the falling standard of education in the country for the rising unemployment in Nigeria. Stakeholders argued that many universities and other tertiary institutions shun out half-baked products in their thousands who are hardly suitable for the labor market.

The paper pointed out that where there are half-baked products from Universities, it should be noted that the problem is systemic. Here, Ndifon, (2010) buttressed that the curriculum has not been planned to meet the present society's needs and aspirations and in most cases, there are inadequate facilities to train the students. In the same vein, Samuel, (2011) dictum that the educational system laid much emphasis on certificate acquisition while neglecting the application of the knowledge and skills acquired to meet the challenges of the contemporary Nigeria. All these problems mentioned breed insecurity and begot insurgency as seen in the case of Boko Haram insurgents, Adefulu, (2011).

However, Adefulu blamed the systemic problem in Nigeria educational system on the colonial legacy which continues to rub shoulders and even persist as the order of the day in contemporary Nigeria. The negative public attitude or prejudice for agriculture and the dignity of labor during the colonial past remains inherent in the public psyche.

In the same vein, statistics have shown that about three million youths graduate from our secondary schools annually, but only about one-third of them proceed to higher institutions; while about two million go into the labor market without the necessary skills for their employability. Most of these youths hate going into agriculture or any entrepreneurial jobs. When students are trained to be 'white collar job' seekers rather than job creators or self-reliant, teaming unemployed graduates becomes the consequent, Agbaegbu, (2011). Also, the process of economic globalization of labor in Nigeria has had a tremendous negative impact on Nigeria economy and subsequently on the reduction of poverty and unemployment, Agbaegbu(2011).

According to Scholte (2000) reflected in Aluko (2006), globalization means "internationalization, liberalization, universalization, and Westernization. The process whereby political, social, economic and cultural relations increasingly takes on a global scale and having profound consequences for individuals' local experiences and everyday lives is referred to as globalization, Aluko(2010).

The challenges of globalization on Nigeria have been daunting because Nigeria has since operated an open, externally dependent economy. The presumed benefits of internationalization lured Nigeria into accepting and adopting Structural Adjustment Programme (SAP), a neo-liberal policy, with the hope that the country will be in a position to benefit from the process. It appears that due to the dependent nature of Nigeria economy, the country has not benefited much from globalization process.

The implementation of neo-liberal policies such as SAP whose condition include privatization, trade and capital liberalization, deregulation and removal of subsidy, devaluation of the currency, etc. are similar to the components of globalization, which is a neo-liberal ideology. This term is coupled with other conditions given to Nigeria by IMF, World Bank, Paris Club among other imperialist financial institutions across the world before granting loan facilities or aids to the country. Many of these agreements are unsuitable and retrogressive to the development efforts in Nigeria.

Many artisans who cannot afford power generators had been forced to remain idle. Successive governments have allocated resources to the power sector in last two decades, yet the

target 4000 megawatts have not been met. Recently, there came an announcement that the countries generation capacity has fallen to about 2000 megawatts. This megawatt is grossly inadequate even for domestic purposes, Birdsall(2003). Roads and rail connectivity are in the state of moribund and inefficient. Entrepreneurship had been systematically desensitized because small businesses that have limited access to capital and political connections are forced to collapse.

The adverse effects of high unemployment on crime in Nigeria cannot be over-emphasized. The implications are daunting, at the individual and household level before extending to the entire society and consequently the economy. The unemployed individuals are unable to earn money to meet financial responsibilities and necessities of life, Agbaegbu(2011).

The effects of unemployment on the individual and household include; wide-spread poverty and inequality with its attendant consequences. These manifest in the following dimensions; it increases susceptibility to malnutrition, illness and mental stress, subsequent loss of self-esteem leading to depression; it can lead to escapists and other self-destructive behavior used as a coping mechanism, e.g., excessive alcoholism, drug abuse, etc. Equally, it can lead to dysfunctional social and emotional relationships; loss of self-confidence; feeling of shame, nonfulfillment, and inadequacy; it jeopardizes access to health care; loss of social and economic security; it limits the educational opportunity for the children and other members of the family. Furthermore, it limits the family access to affordable housing; it increases the vulnerability of family members mainly women and children, and that creates tension and conflict, e.g., domestic violence, Birdsall(2013).

At the societal level, unemployment brings about widespread criminality, societal ills and social vices such as hooliganism, armed robbery, and prostitution. In most cases, the unemployment situation in Nigeria transmutes young graduates into criminal acts such as armed robbery, kidnapping, and prostitution without recourse to the cause, Alissa(2010)& Afowowe (2011).

## **CONCLUSION**

This study has established that there is a significant positive relationship between poverty alleviation programmes and poverty reduction in Nigeria. This implies poverty alleviation programmes have a positive relationship with poverty reduction in the country. If the programmes were adequately implemented, they would go a long way toward drastic reduction of the youths' idleness and hopelessness. These interdependent relationships between cut-across all states irrespective of the geopolitical zone the youths come from. That is, all States share the same agony of this underlying relationship.

Furthermore, the crime rate in Nigeria is directly related to the failure of economic diversification and reforms programmes. In other words, the failure contributes to the increase in the crime index in Nigeria.



## **RECOMMENDATIONS**

The paper, therefore, recommends as follows;

- I. Governments at all levels, private sectors, and development partners should strengthen the poverty alleviation programmes in Nigerian so as to achieve genuine poverty reduction.
- II. Governments at all levels, private sectors, and development partners should re-engineer and rejuvenate the poverty alleviation programmes in Nigerian to curb crime.
- III. Governments at all levels, private sectors, and development partners should deploy and implement good poverty reduction programmes in Nigeria to genuinely support National security.

## **REFERENCES**

- Abdu, H. (1996). *An Outline of the Politics of Adjustment in Nigeria*. A seminar paper presented at Postgraduate school University of Jos, September 5.
- Adefulu, R. (2011). Boko Haram: Sarah Jubril blasts northern generals, leaders. *Daily Sun*, 12 November 2011:1.
- Adegoroye, G. (2006). Public Service Reform for Sustainable Development: The Nigerian Experience. A keynote address delivered at the Commonwealth advance seminar, Wellington, New Zealand. 20th Feb- 3rd March. First published by Bureau of Public Service Reforms.
- Afowowe, O. (2011). The theoretical foundation of terrorism as a political communication strategy for state power acquisition: A global perspective.
- Agbaegbu, T. (2011). Why Unemployment is High in Nigeria. *Newswatch Magazine*, 31 Jan: 18-20.
- Ake, C. (1981). *A Political Economy of Africa*. London, William Clowes Ltd.
- Akeredolu, V. O. (2010). FIRS Jobs: Only 2% of Applicants Make Final List. *Economic Confidential Magazine*, September 2010:4-45.
- Akindede, R.A. and Ate, B.E. (eds.) 2001. *Beyond Conflict Resolution: Managing African Security in the 21<sup>st</sup> century*. Lagos, vintage publishers.
- Alissa, S. (2010) Valuating Economic Reform in the Arab World. Retrieved from <http://www.arabworld.net/id-234d2March 2008>.
- Aluko, Y.A. (2010). Globalisation: Concept and Dimensions. In *Ogunbameru, K.A. & Rotimi, R.W. (Ed). Man and His Social Environment*, P.316-334.
- Ariyo, A. and Jerome, A. (eds.) 2005. *Utility Privatization and the Poor in Nigeria*. Lagos future publishing house.
- Baden S. (1997). *Economic Reform and Poverty: A Gender Analysis*. Report prepared for the Gender Equality Unit, Swedish International Development Cooperation Agency (SIDA). Report No 50.
- Birdsall, N. and Nellis, J. (2013), *Winners and Losers: Assessing the Distributional Impact of Privatization in World Development*.

- Central Bank of Nigeria (CBN) (2005) Statistical Bulletin. Vol. 15. Abuja: CBN.
- Essien E.A (2005). A Consistent Macroeconomic Framework for the Agriculture Sector under the National Economic Empowerment and Development Strategy (NEEDS). *Central Bank of Nigeria, The Bullion*. 29(4) Oct/Dec pp1-3.
- Igbuzor, O. (2004).Poverty Eradication and Public Policy in Nigeria.Lagos, Rehoboth Publishing.
- Jason, P. (2007). Nigeria: The Make or Break Elections. African Business:February 2007. AIC publication. P.12-17.
- Kohler, G. and Tausch, A. (2002).Global Keynesianism: Unequal exchange and Global exploitations, New York, Nova science.
- Kwanashie M. (2015). Nigeria and Economic Reforms.*Nigeria Tribune*, Tuesday 15<sup>th</sup> February, pp 27-28 and 40
- Mas’ud, A. (2016). Does quality of governance reduce corruption in Nigeria? Evidence from time series analysis (1996-2015). Being a paper presented at the 6<sup>th</sup> Interdisciplinary Annual National Conference Organized by the College of Administration and Management Studies, Hussaini Adamu Federal Polytechnic, Kazaure, Jigawa State. Held between 7<sup>th</sup> to 10<sup>th</sup>November 2016.
- Ndifon, X, (2010). Exclusive interview: The problem of Unemployment in Nigeria. *Fountain Magazine*44 ed. December 2009:15-17
- Obadan M.I. (2003).National Development Planning and Budgeting in Nigeria.
- Rodney, W. (1972).How Europe Underdeveloped Africa.London, Love &Malcomson, Surrey.
- Samuel, A. (2011). Moral Education as a Tool for Global Change.*A Journal of Association of Nigerian Educators*, 6(1):183-188. *The Plunder Route to Panama: How African Oligarchs Steal from their Countries*.(2017).The African Investigative PublishingCollective.[www.investigativecollective.com](http://www.investigativecollective.com).
- Usman, A. D. (2017). Information and communication technology (ICT): Panaceafor Nigerian economic challenges. Being a Keynote Address *at the Annual National Science & Technology Conference Held in Husaini Adamu Federal Polytechnic Kazaure, Jigawa State. April 25<sup>th</sup>, 2017. CITHaFed Poly, Kazaure, Jigawa State.*