Economic Recession and Leadership Problem in Africa (A Case Study of Nigeria): A Way Forward

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Abstract

That Nigeria’s sovereign national debt state has degenerated and dropped from a low-risk of debt distress to a Medium-risk of debt distress, is in itself an indication of serious economic challenge. But with the data released by the National Bureau of Statistics (NBS) demonstrating 0.36 percent and 2.06 percent fall in Gross Domestic Product (GDP) in the first and second quarters of 2016, accordingly; it was officially recognized and declared that Nigeria has plunged into economic recession. And this appears largely to be the trend in the economies of the whole African continent especially with their biggest economies such as, Nigeria, Egypt and South Africa. With the philosophical method of phenomenology employed in this discourse, it is found out that the primary cause of economic recession and other woes in Nigeria is as a result of corporatocracy and its hydra-headed attendant ills in the form of mediocrity in sensitive positions. In conclusion, this study submits that, with genuine altruistic resolve to be free from the tentacles of corporatocracy, that is, true sense of humanity on the part of African leaders and; massive education to enlighten every African against the ills of corporatocracy for them to take their destiny into their own hands if African leaders fail to do the needful: Africa with her vast natural and human resources will be a continent to be reckoned with in the true sense of the expression.

Introduction

In over twenty years, for the first time, Nigeria has plunged into an economic recession. The year 2016 showed the country experiencing a significant and steady decline in all cardinal economic indicators. Statistical information made available by the National Bureau of Statistics (NBS) showed a 0.36 percent and 2.06 percent drop in Gross Domestic Product (GDP) in the first and second quarters of 2016, respectively. This discouraging growth in GDP for two consecutive quarters officially heralded the economy’s degeneration into recession. The country has also experienced in the course of this period, its apex inflation rate in eleven years. The NBS has announced a consistent increase in inflation from 9.6 percent in January 2016 to 18.3 percent in October 2016. Just like every economy in recession, Nigeria is confronted with huge job losses. The spate of unemployment in the first and second quarters of 2016 were 12.1 percent and 13.3 percent, respectively, a huge rise from the 7.5 percent and 8.2 percent witnessed in the course of first and second quarter 2015, respectively. Nigeria equally has been beset with a steady devaluation of its currency (Naira) against all big international currencies—the United States Dollar, the Euro and the British Pound Sterling. Staggering under the influence of limited external reserve owing to low oil prices, a 75 percent drop in capital importation added much pressure on
the foreign exchange market. Nigeria’s over reliance on consumable imports has guaranteed an unflinching decline in the value of the Naira in comparison with all cardinal international currencies. In June 2016, the Central Bank of Nigeria (CBN) broached the supple foreign exchange policy which permits the foreign exchange interbank trading window to be steered solely by market dynamics. Right from its execution, the foreign exchange market has witnessed tremendous volatility. Around November 2016, the naira had dropped to as low as N315 to a United States dollar in the interbank foreign exchange market and N460 in the parallel market.¹ The foregoing scenario appears to be a general trend in Africa and not particular to Nigeria. “According to Nairametrics, the African continent is suffering economic crisis as its biggest economies continue to slip into recession. In the north, Egypt, the largest sub-regional economy slipped into recession in 2016 while in the west, the sub region’s and continent’s largest economy Nigeria also succumbed to the economic crisis. Officially, South Africa on the Southern part of Africa has also slipped into recession.”²

On Tuesday, 6th June 2017, Statistics South Africa released the 2017 first quarter Gross Domestic Product (GDP) figure for South Africa which showed that the country is now in recession. The economy contracted by 0.7 percent in the first quarter of 2017 after a 0.3 percent drop at the end of 2016. This marks the first time the country is plunging into recession after eight years. It would be recalled that the country plunged into recession in 2009 after President Jacob Zuma sacked his finance minister, Pravin Gordhan. This led to the weakening of investor confidence in the country and threats to divide the ruling African National Congress (ANC). Tuesday’s figures “confirm that South Africa’s economy has contracted in four of the previous eight quarters. This is among the worst performances recorded anywhere in the emerging world,” John Ashbourne, Africa economist at Capital Economics told CNBC Africa. ³

The remarks above give condensed insights into the economic situation in the continent that justifies the phenomenon of economic recession with its corollary of suffering and hardship on the ordinary Africans. My angst against this situation is that, it is an avoidable situation unavoided due to both international and local conspiracy aptly put as corporatocracy in the actual words of John Perkins. To justify this claim, the study is presented in the format below. But before the format, I wish to state that Nigeria is used as a case study in this discourse because Nigeria is the largest economy in Africa. And whatever happens to Nigeria’s economy invariably has effects on the rest of the economies of Africa. In addition to the fact that other big economies in Africa have similar experience of economic recession, that is, Egypt and South Africa; the choice of Nigeria as a case study is apt because the cause of economic recession in Africa as upheld in this study is a prevalent issue in Africa since the continent of Africa had the common experience of colonialism and its attendant effects.

The format goes thus: first section, gives an explanation to the major key words in the discourse; section two sources for the causes and consequences of economic recession in Nigeria, and by extension, the whole of Africa; section three looks at borrowing as advanced by some analysts as the way out of the economic recession. Section four looks at the leadership problem as the underlying cause of economic recession and other challenges in the continent. It shores up this claim by recouring to the phenomenon of corporatocracy; pointing at outside forces as the primary architect of African woes with the help of their stooges in leadership positions in African countries. Section five attempts a way forward for a better continent made up of Africans and for the interest of Africans at heart; after that come summary and conclusion that wrap up the entire discourse.
SECTION ONE: EXPLICATION OF TERMS

Economy is “the relationship between production, trade and supply of money in a particular country or region.” Recession: “1. a difficult time for the economy of a country, when there is less trade and industrial activity than usual and more people are unemployed. 2. the movement backwards of something from a previous position.” Again, recession is seen as the state of the decline of the economy, an economy experiences a nose dive; a general decline in the GDP and employment and trade spanning from six months to one year. Related to recession is the concept depression. Depression is a long term economic situation stamped by unemployment and low prices and low levels of trade and investment. Leadership, leadership is from leader which means “a person who leads a group of people, especially the head of a country, an organization, etc.”

Problem: “a thing that is difficult to deal with or to understand.” Having thrown light onto the major concepts in this discourse, one now proceeds in the main to x-ray the root and ills of economic recession in Africa, with Nigeria as an example.

SECTION TWO: CAUSES AND CONSEQUENCES OF ECONOMIC RECESSION

From some quarters: “The recession currently being faced by Nigeria is a direct result of the fall in the price of crude oil in the international market. International sale of crude oil remains the main stay of the economy.” And also the importation of consumable finished goods. What it means is that with our non-diversified economy, relying solely on oil and without paying attention to our locally manufactured goods, we had no option than to import virtually everything we use and with the low price of oil which we depended solely on, the consequence is the economic hardship we are in now. Perhaps, the consequences of economic recession in Nigeria include:

1. Unemployment. With its own evil of crime wave on the increase.
2. Devaluation of Naira. The purchasing power of our currency becomes weakened.
3. Inflation. More naira purchasing few goods
4. Skyrocketing of prices of everything especially edible things almost out of the reach of ordinary Nigerians.
5. General high cost of living conditions especially when there is no corresponding increase in wages and salaries to balance the increase in price of commodities, etc.

In order to avert the ugly scenarios above, some analysts have made some suggestions as to the way out of the woods.

SECTION THREE: SUGGESTED WAYS OUT OF THESE ECONOMIC WOES

In the face of these harsh realities, some analysts have come up with well-considered solutions. Among these is the idea of borrowing. And the Federal government of Nigeria has bought into this idea. And that is why:

In a somewhat desperate move to end the current economic recession, the Nigerian government has proposed to borrow as much as $29.96billion (about N9 trillion) in foreign loans over a three-year period within the framework of the 2017-2019 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). The proposed new borrowing comprises project and
programme loans of $11.27 billion, $10.69 billion for special national infrastructure project, Eurobonds of $4.5 billion, and $3.5 billion for federal government budget support.⁹

Some well-meaning Nigerians have come out to throw their weight behind this proposal.

These people argue that more borrowing, more so, in the heart of economic recession, that expansionary fiscal policies are as matter of urgency needed to change the situation, end the recession, and avoid economic depression. The Debt Management Office (DMO), for example, states that enormous investment with debt and non-debt capital is permissible and that the “sin-of-avoiding—a–sin” (that is, not borrowing) could be unwise. A fortiori, the advocates for more borrowing hold tenaciously that unusual circumstances (such as economic recession) demand unusual and in some cases radical approaches. These people are eager to quote uncommon economic regulations (especially quantitative easing) marshaled out in the event of the global financial crisis (Great Recession) of 2007-09.¹⁰

Explaining what quantitative easing means and its application during the Great Recession of 2007-09, Uzor says, in addressing the challenges of the global financial crisis, some countries (notably United States, United Kingdom, and Japan) guaranteed more liquidity into their economies via the conduct of unimagined and uncommon buying of both sovereign and private sector securities. The apex banks of these countries equally made available bailout funds to their commercial banks and other financial institutions to make sure that their financial services sectors were adequately liquid. Apex banks in these countries equally ensured liquidity of the payment systems by means of standing facilities to guarantee that economic activities thrived untrammelled.¹¹

Uzor says that the federal government has followed the lead above; hence, the tactics engaged by the Central Bank of Nigeria (CBN) and Federal Ministry of Finance by means of the Asset Management Corporation of Nigeria (AMCON) is somewhat in affinity with quantitative easing. The fundamental feature of these intervention plans is making sure that the economy is abundantly liquid to navigate economic activities. These not so much common policy plans have been adjudged as veritable in driving economies out of economic straits. “Consequently, they are assuming universal acceptability as effective monetary policy tools.”¹²

The proponents of more borrowing also maintain that regular economic theory upholds reasonable degrees of borrowing to advance economic growth by means of factor accumulation and productivity growth under certain conditions. The argument of the bulwarks of this opinion is that government take and return can aid turn around the economy in times of economic decline or finance long-term investment initiatives that intensify economic productivity in time to come. Take and return equally is viewed as the fastest means for government to arrest enormous expenditure profile either recurrent or capital. Taking to take and return is equally seen as a second–best option to money generation to fund government works.¹³

These proponents end their position by warning thus: “The enthralling justifications for borrowing notwithstanding, the caveat however remains that government must be prudent in the utilization of funds from debt instruments.”¹⁴

On the other hand, those against borrowing argue that a big issue has been Nigeria’s debt repairing burden. In 2015, Nigeria spent 28.1% of total revenue on debt maintenance and this is foreseen to increase to 35.32% in 2016 by the DMO. This is a clear sign that a meaningful chunk of the nation’s
revenue is earmarked to debt maintenance. From International Monetary Fund (IMF) heat map assessment of Nigeria’s debt, public debt repairing burden will quickly attain a worrisome degree reaching to over 50% of overall government income.\textsuperscript{15}

Also, they argue that another germane issue is the horror that borrowed funds are being chanelled to add to recurrent expenditure in lieu of funding long-term capital projects. This fright has been aggravated by the addition of $3.5 billion for federal government budget support, an arrangement not clearly aligned to capital projects. The intention is that this aspect of the loan could only succeed in adding to the payment of wages and salaries just like other borrowed funds in the past have been spent on recurrent expenditure. The disquisition of crowding out against government take and return is still pertinent taking into cognizance the fact that lenders would regularly choose government debt instruments than private debt instruments mostly in time of unforeseen possibilities. Not minding the fact that the talked about borrowing idea shows choice for external loans, “Nigerian private sector entities—especially banks access the same international debt market for funds. The active participation of government in the international money market will certainly rev up the cost of much needed funds for private capital formation.”\textsuperscript{16}

Furthermore, they argue that a re-echoing contention not in favor of another borrowing is intergenerational fairness of the debt burden. Burdening generations yet to come with debt refund responsibilities for debts accumulated by the current generation mostly for recurrent expenditure puts immense moral questioning on the current generation. Not minding that incurring drawn-out debt to finance investments in long-term infrastructural development may be allowable under certain economic conditions, borrowing to increase funding of wages and salaries burdens the country’s long-term fiscal support structure and the strength of yet to born generation to attend their own needs.\textsuperscript{17}

The worrisome and discouraging fact is that the maximum amount that Nigeria could borrow both at the domestic and international level, by federal government in 2017 without going against the country-specific threshold is $22.8 billion, that is, 5.89% of $374.95 billion. But Nigeria is pressingly in need of $29.96 billion.\textsuperscript{18}

Other suggested remedies include: stimulatory spending, that is, to spend your way out of it; making available credit at low interest rate; stabilization of local currency; not to depend on oil solely; Import Substitution Industrialization (ISI). \textsuperscript{19} On 5\textsuperscript{th} of April, 2017, Economic Recovery and Growth (ERGP) 2017-2020 was launched, and: “Its broad objectives include restoring sustainable and accelerated inclusive growth, investing in the people and building a globally competitive economy.”\textsuperscript{20} According to Muhammadu Buhari in, “Our anti-recession, growth battle strategy” he says: “We are determined to change Nigeria from an import-dependent country to a producing nation. We must become: A nation where we grow what we eat and consume what we produce. We must strive to have a strong Naira and productive economy.”\textsuperscript{21} After listing some efforts made by the government to tackle recession, Dapo Fafowora said that irrespective of clear indications of a reduction in the recession, and the straitening of the difference in the exchange rates of the official and parallel markets, it is not yet \textit{UHURU}. “The IMF is not always right in its advice and prescriptions to poor countries that are facing a recession. Its blanket advice to cut public spending tends to intensify a recession rather than ease it. It does not take account of the variability in the economic conditions of the countries to which it is offering advice.”\textsuperscript{22}

In addition to Fafowora’s position, against the above remedies, is the fact that:
Even if the spending capacity is available, two major driving forces of stimulatory injection are presently missing—low interest rate environment and price stability. Circumscribed by pressure in the external sector, the CBN isn’t expected to change its present stance on interest rates any time soon. Such a move in itself is bound to register an adverse signal to portfolio traders as well as the foreign exchange market. This means the low interest rate succor that business and industry need to reverse declining output and job losses will remain elusive for quite a while. How to end the declining trend in output and employment and their multiplier effects on the economy is presently the challenge in Nigeria’s economic policy formulation. Economic recession isn’t going to respond appropriately to monetary treatment if the value of the injection is significantly diluted by rising price level. The effectiveness of the spending depends on the extent it enables consumers to maintain or increase consumption compared to the level before the economic downturn. For producers, it is measured by the extent they are able to maintain or increase the output and employment levels compared to the figures before the economic decline.23

From the foregoing discourse, I wish to argue in this study that the recession is not due primarily to poor economic administration but that of pure politics for economic gains/interests. Primarily, due to external political manipulative forces and carried on internally by the stooges of the same external political manipulative forces.

To shore up this point, British economic and political interests evolved the hostile encounters that resulted in the colonization of Nigeria. The sole aim of their conquest was to put in place imperial control. The Royal Niger Company (1879-1900), a mercantile company incorporated by the British government, had shown that “colonial domination would be accompanied by exploitation and violence, including the excessive use of power and violence to pursue narrow economic objectives and transfer of wealth outside of Nigeria.”24 It is the same case in almost every country of Africa especially those places where there are natural resources of interest to the imperial powers, such as, oil, diamond, gold, etc.

For Oluwatosin Babalola, “Colonization led to the intentional establishment of weak state institution as the British administration focused on economic exploitation at the expense of nation-building in Nigeria.”25 It is the same economic interest from the colonial masters that has become the cog in the wheel of Nigeria’s unity, peace, progress and development, nay, other African countries; manifestly in the experience of economic recession. One may ask, but the colonial era is gone and Nigeria is now independent, why the blame on external forces again? The blame is and veritably too, because the same external political manipulative forces are still in control though in a refined form known as corporatocracy, according to John Perkins.

SECTION FOUR: THE PHENOMENON OF CORPORATOCRACY

Corporatocracy is a neologism found in the work of John Perkins, entitled Confessions of an Economic Hit Man. Who are the economic hit men?

Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, The U.S Agency for International Development (USAID), and other
foreign “aid” organizations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet’s natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalization.26

Talking about the term corporatocracy, Perkins says “In their drive to advance the global empire, corporations, banks, and governments (collectively the corporatocracy) use their financial and political muscle to ensure that our schools, businesses, and media support both the fallacious concept and its corollary.”27 Corporatocracy is simply a concept that conveys the clandestine means colonizers then but now developed countries, especially the United States of America and her allies, use in exploiting the less developed countries thereby keeping them in perpetual penury through the connivance of individuals or families of the targeted less developed countries. The super powers in question keep most of the countries of the world in a less developed state purposefully through their disguised exploitative means like loans, aid, grants, etc. “It was the colonial mercantile system all over again, set up to make it easy for those with power and limited natural resources to exploit those with resources but no power.”28

A question was addressed to John Perkins as whether the latest step to forgive Third World their debt signalled losing of grounds by EHMs, invariably corporatocracy? To the question above, Perkins gave answers thus.

On the contrary, I’m sorry to have to say that it shows a new level of sophistication on the part of the EHMs. I certainly favor the idea of forgiving those debts—which, we must remember, were accumulated without the consent of the majority of the people in these countries and served to make the corporatocracy and a few wealthy Third World families even richer—but debt-forgiveness is not what this is all about. The G8 (the United States, the United Kingdom, Canada, France, Germany, Italy, Japan, and Russia), the World Bank, and the IMF are once again exploiting these nations and they are calling it “debt forgiveness.” They are insisting on “conditionalities” that are cloaked in phrases like “good governance,” “sound economics,” and “trade liberalization.” While the language is enticing, it is also terribly deceptive. These policies are “good” and “sound” only if you are looking at them through corporate windows. The countries that agree to such conditionalities are called upon to privatize their health, education, electric, water, and other public services—in other words, sell them to the corporatocracy. They are forced to drop subsidies and trade restrictions that support local businesses while at the same time accepting that the U.S and other G8 countries can continue to subsidize certain G8 businesses and erect trade barriers on imports that threaten G8 industries.29

Substantiating his view, he says, when Bolivia accepted such “good governance” policies, it threw open her doors for multinationals to privatize its water supply system. Prices of water went exponentially high and Bolivians lamented that service was denied to thousands of people. In Cote d’Ivoire, he continues, the French firm that acquired the assets of the privatized telephone company reportedly skyrocketed the prices so terribly that many people had to abandon connections to the system, even university students could no longer afford Internet access necessary for their studies. Citing Tanzania as well, Perkins maintained that, these obnoxious policies resulted in terrible condition where children have to pay to go to school whereas many are too indigent to do so. It is
the same story in the countries that have allowed the conditionalities that come as a necessary condition to what is being trumpeted as debt forgiveness. Among the shocking experiences about this new sham is that so many individuals seem willing to admit it, rather than perceiving it as it really is—an EHM ploy and the current, maybe the most concealed move along the path to world empire, Perkins submits.

From the expositions so far, one can sense corporatocracy having played and still playing itself out in Nigeria and indeed Africa as a whole. This may not be unconnected with the warning of Mcebisi Jonas, former finance minister of South Africa, when he sounded thus; “the country is stuck in a low growth trap, with the government focusing on spending money rather than growing the economy. … Jonas says it’s important that government urgently address the kind of leadership in the country which he says has contributed to the recession.”

Most possible, leadership with stooge stamp. According to Chinweizu, it was in the bid to give Nigerians good living conditions, to alleviate their sufferings that made former president Jonathan sign a deal with Chinese government to build three more refineries in Nigeria. But unknown to him is the fact that he has incurred the wrath of corporatocracy. Corporatocracy fought back—through the media by making his administration appear inefficient in tackling Boko Haram Insurgency, the most pressing threat at the time, among other propaganda—and ousted him from power.

**SECTION FIVE: WAY FORWARD**

First and foremost, there is urgent need to educate Nigerians and indeed Africans that their primary problem is from outside made strong through internal connections of the same outside political manipulative forces whose sole interest is the resources they have. This education should come through massive conferences, seminars, colloquia, symposia, workshops, jingles in the radio stations, television programmes, etc. It is in this awareness campaigns that everybody will become aware of our collective problem. Through this means, the sense of humanity should influence our political leaders to do the needful by fighting for the interests of masses and not the interests of the leading powers in the West and few wealthy families in Africa. Whereby the political leaders fail to do the needful, the masses have no option than to rise in revolt against them. By this popular uprising, Africans can oust the vestiges of corporatocracy and put in place trusted ones from amongst them. This popular uprising is looking real today in Africa due to the common suffering by almost everybody. When this occurs, the new leadership should know that allegiance belongs to African people and not to corporatocracy. With togetherness and one voice, corporatocracy in any guise can be defeated just like some countries of the world that are not under the control of corporatocracy. It is through the massive education as outlined above, bringing more to the consciousness of Africans the cause of their sufferings and the need to salvage themselves from the shackles of man-made poverty and hopelessness that the needed change can be actualized.

**SUMMARY AND CONCLUSION**

This study came in two sections with respective parts. Section one took care of economic recession by looking at the key words used; the reality of Africa especially Nigeria in economic recession with arguments for and against borrowing as a proffered solution. The second section is where the writer posited that the primary problem is the issue of corporatocracy and not poor management of the economy. This is premised on the fact that Africa most especially Nigeria has a plethora of
world renowned economic experts that can take her to the height of economic buoyancy of her choice save for the ill-interest of corporatocracy serviced by their African stooges.

In conclusion, this study is of the position that, over and above, other solutions given, that the better way forward is education of the masses to know that their problem is primarily that of corporatocracy and nothing more. And that through this education the ruling class should be touched by the sense of humanity to alleviate the sufferings and hardship of almost all Africans. But where this idea fails, the masses have no other option than to take to popular uprising in order to bring in their own trusted ones for the betterment of every African citizen.

Endnotes


1 “Corporatocracy” is a collective name for corporations, banks and governments – organizations owned by few powerful families in the western world. They use their financial and political muscle to ensure that schools, businesses and media around the world support their quest for global empire
3 http://venturesafrica.com/the-controversyaroundkenyas-tax-on-mobile-money-services/ Accessed 21/9/2018
4 Ibid.
6 Ibid., p.1214.
7 Ibid., p.839.
8 Ibid., p.11567.
11 Ibid., p.24.
12 Ibid.
13 Ibid.
14 Ibid., p.25.
15 Ibid.
16 Ibid.
17 Ibid., pp.24-25.
18 Ibid.
19 Ibid., pp.23-26.
20 Ibid., pp.64-71.


26 Oluwatosin Babalola, *Combating Violent-Extremism and Insurgency in Nigeria: A Case of the Boko Haram Scourge*, (Submitted to the Center for Global and International Studies and the Faculty of the Graduate School of the University of Kansas In partial fulfillment of the requirements for the degree of Masters of Arts 2013), p.16.


28 Ibid.,p.xv.

29 Ibid., p.56.
