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Managing Nigeria Economic Diversification: Lessons from other Climes

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Chapter Fifty-seven

Leadership and Diversification of the Nigerian Economy: The Political Economy Perspective

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Abstract

The study evaluated the correlation between Leadership and the diversification of the Nigerian economy, viewed from the political economy perspective. The study noted that the Government of every nation-state -Nigeria, has the fundamental duty of providing for the economic well-being of the citizens among others, the economy has long been a top priority of practically every government. The government is expected to stimulate economic growth, widen economic opportunity, alleviate poverty, and provide generous welfare benefits and social security, only a diversified economy that can generate this-situation. This is only possible through a reciprocal relationship between the political realm and the economic management. The study was conducted through the descriptive research approach, where mostly secondary data were utilized and documentary analysis of three categories of diversified economies; (i) the Gulf Cooperation Council (ii) The Group of G7 economies and (iii) Transformation economies. The approach revealed some of the variables that are tangential to diversification of economy into a sustainable one. These include; political leadership which is in short supply in Nigeria, ensuring that the contribution to the GDP is not from one sector of the economy, the lower the concentration ratio in a particular economic sector, the higher the diversification quotient. It endorsed that concentration quotient of the contribution from all sectors to the GDP, should not be above 30 percent from each economic sector. When this is the case, it would mean that other sectors are performing, employment is going on, market is expanded to serve as buffer against shocks from the international economic relations.

Keywords: *Diversification, Gulf Cooperation Council, Group of G7 group, Transformation Economies, Concentration ratio, Diversification Quotient*

Introduction

Leadership and Diversification is a critical phrase which have mutual relationship in any state, which Nigeria is not an exception. Nigeria consists of numerous nations that have been poorly blended by low level of nation-building and worsen by low level of state-building. This country has failed to understand the critical role of leadership in the development of the economy, yet leadership problem is everywhere in the state.

A discourse on managing the Nigeria economic diversification, is germane as the discourse on 'Political Restructuring of Nigeria'. In fact, while 'restructuring' is political, 'economic diversification' in this study refer to 'the restructuring of the economy'. The essence of the discourse rest on the fact that, the level of Nigeria's all-round development, is not commensurate with the quantum of resource endowment of

Nigeria. In this discourse therefore, the mindset is that of restructuring the economy. Some of the manifest indicators of Nigeria development which has made the quest for the diversification of the economy an urgent one are;

i) Nigeria power output is embarrassingly low. Every aspect of development is tied to power generation and transmission. Nigeria's current electric power generation capacity is hovering at 4,500 megawatts space. Nigeria ought to be in 40,000 megawatts. That is what we should be talking about (Adeshina, 2018), yet we have not taken advantage of available Hydro Electric generating opportunities that abound along the course of river Benue.

ii) In terms of welfare, 62 percent of Nigeria's 170 million people live in extreme poverty and just recently, Nigeria became the world poverty capital amidst abundance of human and material endowment. This is the pathology of misplaced priority and lack of leadership.

iii) Infant mortality in Nigeria stand at 70 in every 1000 births (70/1000). About seventy children would die before the first birthday among one thousand births. This is as a result of lack of affordability, availability and accessibility of medical services by the parents of the children because of poverty of the parents and the state's lack of planning. This is tied to the low Human Development Indices (HDI, a composite of life expectancy, knowledge level and standard of living).

iv) According to UNICEF (2018) Nigeria has 13 million out-of-school children larger than nations that are at war. The Internally Generated Revenue of the 36 states have not in any year gone up to half of what they draw from Federation Account Allocation Committee (FAAC) every month. What account for these extreme incongruences between the resource endowment of Nigeria and the development outputs (Frank and Ken, 2018).

v) In agriculture, recently Mr. President told the visiting British Theresa May that

We have cut rice importation by about 90 per cent, made lots of savings of foreign exchange, and generated employment. People had rushed to the cities to get oil money, at the expense of farming.

But luckily, they are now going back to the farms. Even professionals are going back to the land. We are making steady progress on the road to food security (The President, April 16, 2018).

However, according to the United States Department of Agriculture, Nigeria's rice importation has increased by a whopping 400,000 metric tonnes per annum under Buhari (ThisDay, Nov. 8, 2018).

The above statement is an indication that the agricultural sector of the economy has not been able to cater for the population hence the whopping import data though denied by the political elites. This is the pathology of lack of leadership.

It is of interest to note that the 1999 Constitution in chapter II, Section 16 subsection (1a-c) provided for the diversification of the economy when it stated inter-alia that the State shall;

(a) harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy;

(b) control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity;

(c) without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy...16(2) Stated that (a) the promotion of planned and balanced economic development.

It is to be further noted that since the coming into effect of the constitution in 1999, no Government seem to have read this section of the Constitution and none have attempted to bring to effect hence the economy has remained without the dynamics or resilience to external economic shocks.

The aims of this study are two-fold, first, is to identify the variables which is missing and required for moving Nigeria towards a diversified economy in tandem with the constitutional provisions. The second one is to espouse the diversification, its processes and expediencies and to urge Nigeria to take advantage of it.

The Statement of the Problem

Every state is expected to have political leadership who are required to arrange the economy in such a way as to generate considerable outputs from all sectors, to promote the prosperity of all the citizens. Every economy consists of various components which ought to be contributing to the Gross Domestic Product (GDP).

However, the Nigeria economy had earlier in the first Republic consisted of contributions from cocoa, palm oil, tin and columbites, groundnuts, hides and skin and by 1958, crude oil was added to it. The Arab-Israeli war of 1973, created an oil embargo by the Arab nations in solidarity with Palestinians. The USA and many other European countries then turned to Nigeria to purchase her oil. Nigeria had petrol dollar. Given its lopsided federalism, everyone had cheap resources and then failed to develop further what was sustaining their economy hitherto. The abandonment of the development of natural endowment in all states and the sole reliant in the crude oil resources, led to a mono-economy based on crude oil exploration and export. A mono-economy is one relying on one major export or natural resources to bring most of the foreign exchange into the country. It is also the principal contributor (about 95 percent) to the GDP. The non-oil sectors, Manufacturing, and trade contribute significantly low to the GDP.

The effect of this is that, the economy of Nigeria would be vulnerable to external economic forces with significant negative impact on the well-being of Nigerians. Mono-economy is well known for its tendency to exploit the consumer when the alternative is not feasible. Consumer may be charged with high prices which reduces their expendable income. It lacks competition and the urge to improve on all front. In short there is no value addition to anything it produces because the economy is not diversified.

One of the most critical elements of the problem statement would be, by what strategy would the political leadership in Nigeria adopt to achieve the provisions of section 16 of the constitution as enunciated above?

How did the economies of (i) The Gulf Cooperation Council (GCC) get diversified? What of that of the Group of G7 economies? By what means did the 'Transformation' economies became diversified? Conversely, why has that of Nigeria remained a mono-

economy? Why is there a great incongruence between her resource endowment and manifest development indicators in the negative? Why has no government attempted to bring to effect the provisions of section 16 of the Constitution by transforming the economy from a mono-to-diversified one?

The rejoinder to these numerous questions' rests squarely and certainly on the absence of leadership in Nigeria political realm and the pathology of understanding what diversification and the dangers of mono-economy are. How do we pull the 'leaders' away from the feast in the 'petro-dollar to managing a diversified or restructured economy? These questions would guide the discourse.

The Procedure of Study

The study applied the descriptive approach in the investigation. This implied that secondary materials and documentary sources were scrutinized to obtain current data concerning the nature of diversified economies. The goal of this method of study was to describe the processes through which categories of economies; (i) The Gulf Cooperation Council, (ii) Group of G7 countries economies and (iii) Transformation economies followed in the diversification of their various economies to attain sustainable growth.

The technique was aimed at revealing the variables which accentuated an underdeveloped mono-economy to be transformed into a diversified and sustainable and growing economy, in order to assist the decisions to diversify Nigeria economy in the 21st century. It was therefore composed essentially of 'documentary analysis' supplemented by empirical observations.

It aided in capturing the picture of the situation across three diversified economic groups. It was of inestimable value in the identification of the trend and pathway towards the diversification of the Nigeria economy. It thus, enable certain level of prediction that if Nigeria economy follow the trend revealed in the application of this processes, then it could be estimated that the economy would be restructured, it would become sustainable and able to withstand economic shocks from the external environment. All the components of the economy would be able to contribute to the GDP rather than a single sector. The dynamism to be created in order sectors, would mean generating employment, increasing the society's Purchasing Power Parity (PPP), raising the standard of living of the society and the emerging development indicators would change over time in the positive direction.

Framework of Analysis: Political Economy

This study was evaluated from the Political Economy Perception because the management of the economy of a state is often the domain of the political leadership in that state. Thus, 'political economy' in this context would mean 'the reciprocal interactive relationship between the leadership of the political realm and the economy in their own interests, under the pretext of the interests of the entire society. This is because the leadership of the state, emerged from a political party, which has a programmed on how to manage the economy, upon which it was voted in democratic, and 'pseudo' programmes in non-democratic states. The point must be made that all economies anywhere are often subject to the management principles and direction of the political leadership during their stay in power. This is the crux of political economy. This is perhaps why Karl Marx had posited that the state is but an executive committee of the bourgeoisie managing it in their own interests.

Therefore, the diversification of the economy would be a strategic policy decision of human centered political leadership, while the sustainability of a mono-economy would

a strategic policy decision of a leadership whose interests are being served by the dangerously standing mono-economy, as in the Nigeria case. This leave us with the two concepts of 'leadership and diversification' of the economy to be operationalize and analyze their correlation as identified already.

Leadership

In this section of the discourse, it is presumed we have passed the age of theorizing, and discourse on the style of leadership, to what the empiricism of leadership is, in connection to the diversification of the economy. The concern of this study in line with its methodology, is on identification of the elements of leadership which are tangential for the diversification of the economy of Nigeria. Some of the important elements are;

Leadership is about steering people to provide the cooperation required in the pursuit and realization of specific objectives from which they would equally benefit. It entails having authority to take initiative and go ahead of others. In human race and society, leadership is entrusted with crafting out a vision for the rest of the followers which would be pursued with a sense of purpose, discipline and commitment (Akinkuowo, 2013:130). It is the action of leading a group of people or an organization, or the ability to do this. The former American President Dwight D. Eisenhower described it as the art of getting someone else to do something you want done because he wants to do it.

The vision of the leaders is crafted after evaluating and harnessing the human and material resources available to a people. The vision is then socialized among the led. At this point, the followers are made to 'buy-in' to the vision (own-up), this enable them to sacrifice their time and resources in the pursuit of the realization of the vision.

The next stage in driving leadership is to ensure that the pains and gains of leadership are shared equitably in the society because everyone had sacrificed, and supported the leader to arrive at the new level of development. Structuring the benefits of support to a leader to one ethnic or social group is abnormal and it breeds the sense of 'Relative Deprivation'- which generate revolutionary tendencies against the leader.

Content of leadership

- (i) It is visionary and influence
- (ii) Mobilizing others towards a goal shared by both the leaders and the followers.
- (iii) It involves moving a people from one level to another which is has 'Pareto Optimality'.
- (iv) It is not self-centered, insensitive and haughty.
- (v) It is people and servant oriented.
- (vi) The people welfare is the primary reason for leading.
- (vii) It must inspire, mobilize and be driven by the passion to make the society better (Lasebikan, 2016).

Leadership and Diversification of the Economy

In this section of the study, we submit that there is significant link between economic diversification and sustainable growth. Secondly, there is a correlation between leadership and diversified economy and sustainability (an economy that is not overly dependent on a single community).

Diversification is generally considered to be a process in which a growing range of economic outputs are produced. This would include the modification of the markets where it offers its products for sale and export, thereby expanding the sources of its income.

A leader in this context, is expected to understand the economic opportunities available, allocate resources to engender their development in all parts of the country without prejudice. This is to stimulate their growth (production, trade business investments, net export and government spending), and appoint competent managers on a merit system to groom these economic investments to contribute to the GDP as Lee Kuan Yew did in Singapore (2000). Diversification would further mean that the markets for the sale of the outputs from these investments would be expanded as well. This is to avoid market strangulation when some forces affect one market adversely.

The rule of economic diversification should be that no one sector of the economy should contribute more than fifty (50%) percent to the Gross Domestic Product (GDP). The economic distribution of the sectors should hover around 45-38 percent contribution to the GDP initially and increasingly decrease in percentage. This would mean that economic dynamism is taking place in the various sectors and employment are being generated and income are being earned and taxes are being paid. The critical thing is that the economic output should be marketed in different markets. It takes a leader rather than a 'pseudo' one to understand these complexity and generate the political will to take the steps canvassed herein.

Expediencies

A diversified economy would enjoy the following expediencies;

- i. Reduced a state's volatility. This is where external political economic events are less likely to impact negatively on the domestic economy because adversity in one sector and product would not affect all the sectors. Thus, the income stream would continue to flow-in.
- ii. Economic health- of any state would be enhanced when its economic wellbeing is not dependent on a few traditional sources or industries. Example is where a country in which the economy is dependent on agro-allied inputs would be in economic shock, the price of its only product stumble in the world market. It would involve massive lay-offs in the industry.
- iii. A diversified economy on the other hand would be able to withstand the impact and contribute, for it would use resources in the stabilized area to sure-up the sector which is in economic shock. This is one of the reasons for the Keynesian postulation for the government presence in the economy. It is only the state that can ensure this investment balance-sheet.
- iv. There would be sustainable cycle of economic dynamism when the economy of any state is diversified (there would be different outputs, activities, income and exchange). All these present greater labor opportunities -reducing unemployment. This is the pathway followed by South Korea, Singapore and many of the Transformation economic countries followed in the diversification of their economy.

Challenges

It is often a daunting task to transform an economy especially in the 3rd world and particularly in Nigeria, where the fortune of hydro-carbon deposits and crude oil has made every unit federal and subnational governments unable to diversify their thinking from a mono-source of funds. The first challenge to the diversification of the economy is the diversification of the thinking of the political elites, who may be comfortable with the mono-economic mindset of the state, as long as it provides resources for their greed as in Nigeria.

Elsewhere in the Gulf Cooperation Council (GCC) states, economic diversification had been enhanced by investment of 'spillover effects from increased 'oil receipts' and the high inflow of capital (FDI). However, in Nigeria where it is called 'excess crude income' such funds are shared by states and not kept in the Sovereign Wealth Account' and squandered by the political elites. The Intellectual poverty of the political elites and their advisers is a major challenge fostering this.

Inefficiencies in labor, capital, knowledge and technology is yet another particularly in the economic sector with little or no contribution to the GDP. The Nigerian factor in employment compound this fact, for it would produce incompetent personnel to manage critical sector of the economy as it is at the moment. This is what result in the inefficiencies which made for the call for subvention, rather than that government has no business in managing the economy.

A mono-economy resting on oil and gas as it is the case in Nigeria presently is subject to changes and shocks in the unified market. This creates a 'contagious effect' where the failure in one economy source or financial sources spill over into other unrelated or tangentially related areas. This single shock, affects all other sectors and the economy get crippled and sustainable growth is halted. This is what Nigeria economy is going through at the moment. This is how diversified economy is significantly related to sustainable growth.

It is thus recommended, that a lettered and patriotic leadership for Nigeria, would understand the nexus between leadership and the expediencies of the capacity of a diversified economy, being able to not only generate 'Pareto Optimality', but also able to lead the nation into the vision of the society envisaged. A patriotic leadership should make the advantages of a diversified economy his manifesto, pursue it earnestly and a legacy would be established and Nigerians would be better-off than they have been in the last fifty years. The stagnation in Nigeria, has been because of the absence of leadership and lack of diversification of the economy.

The Three Economic Groups: Lessons

The country specific studies of the members of the 'Gulf Cooperation Councils (GCC), Group of G7 countries and group of Transformation Economies respectively, revealed the following correlations to the subject of this conference;

- i) On leadership—they demonstrated that at one time or the other, these states had benevolence dictatorial leadership, which forced the state into the part of economic diversification which would have not have been attained under democratic setting. The leadership later became democratic through social pressures.
- ii) They allocated both physical and human resources to highly productive investments and acquired latest technologies to drive them.
- iii) They all went through a phase of Keynesian economics with robust presence of the state to drive economic diversification and investments in all sectors.
- iv) The initiated good public policy in macro-economic policies devoid of any political undertones for investment to come into the country—complimented by policy consistency and stability in the polity.
- v) The strength of these economies across the categories studied indicated a highly diversified economies with no concentration of contribution to the GDP in any sector, but are almost evenly spread. This mean economic activities in all sectors and employment generation in the sectors.

Conclusion and Recommendations

The experiences of the Gulf Cooperation Council where the GDP is contributed across all sectors at about 40 percent per sector is instructive. The Group of G7 countries sectoral contribution is as low as 30 percent to the GDP is yet another with patriotic leadership in the forefront of the political economy. It is helpful to note that in these states, the basic question before anyone seeking to lead as the president is 'how he/she would manage the economy, rather than whether he/she is from the North or the South. The Transformation Economies on the other hand have 40 percent sectoral contribution. This is of great lessons to Nigeria because many of these countries were at the same level of economic development with Nigeria at independence, but now transformed into the first world by leadership such as that Lee Kuan Yew of Singapore. The first critical thing about them is that they resolved the issue of leadership. All of these countries were led at one time by benevolent dictators. They pursued Keynesian economics with robust state driven development, while the private sector filled the gaps left by state policy. They then set up National Development Plan through which the various sectors were developed with investments before private capital.

Let it be known that leadership is so critical hence Malaysia have brought a 92-year-old (Mahatir Mohammed) to lead them into the 'solar' age after the 'digital' one. Leadership is related to economic diversification. This is a challenge to Nigerians to mobilize for benevolent 'patriotic and learned leadership' with economic with 'economic diversification' as a content of his programme. The GDP contribution should be distributed across sectors to avoid heavy concentration in one sector. The political phase of economic diversification is political Restructuring. When Nigeria get it right at the political realm, the economic realm would be managed correctly. The time is now because diversification of a single commodity based economy would mean sustainability of the system.

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NOTES

- *Gulf Cooperation Council (GCC) countries are- Bahrain, Kuwait, Qatar, kingdom of Saudi Arabia (KSA), UAE.
- *Group of G7 Economies countries are- Canada, France, Germany, Italy, Japan, United Kingdom, USA.
- * Transformation Economies are- Hong Kong, Ireland, New Zealand, Norway, Singapore, South Korea Malaysia.