POVERTY ALLEVIATION IN NIGERIA THROUGH CAPITALISM ECONOMIC FRAMEWORK:
PROBLEMS AND CHALLENGES

Aniekan E. Ekpe
Department Of Political Science and Public Administration, University Of Uyo, Uyo

ABSTRACT
Poverty, both in absolute and relative terms is afflicting most Nigerians. To be sure, successive Nigerian regimes have adopted series of measures to ameliorate the plight of the poor. Regrettably, the application of capitalist policies and strategies has not been able to alleviate poverty. On the contrary, the poverty level has soared instead of abating. It is the central thesis of this paper that poverty alleviation is impossible with the application of orthodox capitalist principles. This is basically due to the contradictions which are inherent in capitalism. On the basis of our position, we recommended among other things that the Nigerian state should either adopt socialism or regulated capitalism if it is desirous to alleviate poverty.

Keywords: Poverty; Capitalism; Corruption; Underdevelopment; Intervention.

INTRODUCTION
Nigeria has one of the greatest development potentials in Africa given the vastness of her resources and above all her rich human resource endowment. But regardless of these potentials Nigeria is still among the poorest countries of the world. The economy is mired by multiple difficulties. On the basis of widespread economic crisis, and the recent global economic meltdown, the country is unable to raise the standard of living of its citizens to an appreciable height. Thus poverty, in both absolute and relative terms, constitutes one of the most serious problems confronting Nigeria. Statistically, between 1960 and 1980, the poverty level covered about 28.0 percent of the population; by 1996 it rose alarmingly to about 66 percent of the population (Aliju, 2001).

According to the United Nation Development Program Human Development Report (2008-2009) which combined such components as; level of inequality, life expectancy at birth, standard of living and access to knowledge, and education, between 2004 and 2009 poverty in Nigeria has worsened from 0.43 to 0.49. This shows that despite its vast resources, Nigeria ranks among the 25 poorest countries of the world.

In the face of the nature and magnitude of poverty situation in Nigeria, successive Nigerian regimes have attempted to grapple with the poverty situation in the country. According to Ukpong (1999), as a means of reducing poverty, the first three National Development Plans placed premium on, “the real income of the average citizen, more even distribution of income among individuals, and socio-economic groups”. However, this did not serve any useful purpose due largely to the economic crisis of the 1980’s.
In order to frontally attack poverty in the face of economic difficulties, more concrete programs were introduced. Just to name a couple there was, Operation Feed the Nation (OFN) and the Green Revolution (GR) which were launched by the regimes of Obasanjo and Alhaji Shehu Shagari respectively between 1976 and 1980. Other programs which were later introduced included the Directorate for food, Roads and Rural Infrastructure (DFRRI), the Better Life / Family Support (BLF/FSP) and the National Directorate of Employment (NDE) which were set up by General Babangida’s administration in 1986.

On assumption of office as the Civilians President and Commander-in-Chief of the Nigerian Armed Forces, the Obasanjo’s regime launched the National Poverty Eradication Program (NAPEP) in 2001 as a means of lifting the poor out of poverty. This was followed by the introduction of National Economic Empowerment Development Strategy (NEEDS) at the National level in 2004. This economic development program was to be duplicated by all the 36 states of the Federation under the rubric of State Economic Empowerment Program (SEEDS). The main reason for this was to encourage all Nigerians to be actively involved in thinking, knowing, and contributing to all aspects of development with a view to eradicating poverty. Given the fact that this policy, as in the past, is predicated on liberal economic construct, this paper attempts to critically examine the problems and challenges of using capitalist economic framework to alleviate poverty.

THE THEORETICAL FRAMEWORK

The analytical framework that underpins this discourse is the dependency paradigm. Although different strands of perspective are inherent in this model, their differences are less important to us than what they have in common, which provides theoretical lenses on which our discussion is based.

This framework attributes the existence and sustenance of under-development primarily to dependency which is precipitated by a highly asymmetrical international capitalist system of rich enough-poor country relationships. The coexistence of rich and poor nations in the international system dominated by unequal power relationships between the center and the periphery fosters the development of the former and at the same time foils development of the latter. Put differently, this process “renders attempt by poor nations to be self-reliant and independent difficult and sometimes impossible” (Todaro & Smith, 2004).

The model also holds that what complicates the development crisis in developing economies is the existence of privilege group (such as Landlords, entrepreneurs, military leaders, merchants, bureaucrats, and trade union leaders) who by virtue of their high incomes, social status, and political power acquiesce to the maintenance of the status quo. For this reason, they are accordingly rewarded for accepting and perpetuating the existence of international capitalist system of inequality.

It is further argued by these theorists that, the Bretton Wood Institutions such as the World Bank (WB) and the International Monetary Fund (IMF) are collaborators to this unholy scheme by virtue of their allegiance or funding to wealthy capitalist countries and Multinational Corporations. The viewpoints and activities of the bourgeoisie both national and international
“often serve to inhibit any reform efforts that might benefit the wider population and in some cases actually lead to lower levels of living and to the perpetuation of underdevelopment (Todaro & Smith, 2004).

In brief, the dependentistas attribute the existence of wide-spread poverty occasioned by economic crisis to the policies of industrial capitalist countries and their re-production of a highly unequal capitalist system within developing nations. This point has been lucidly summed up by Dos Santos (1970) when he averred that:

Underdevelopment, far from constituting a state of backwardness prior to capitalism, is rather a consequence and a particular form of capitalist development known as dependent capitalism... in any case, the basic situation of dependence causes these countries to be both backward and exploited. Dominant countries are endowed with technological, commercial, capital and socio-political predominance over dependent countries – the form of this predominance varying according to the particular historical moment and can therefore exploit them and extract parts of locally produced surplus. Dependence, then, is based upon an international division of labor which allows industrial development to take place in some countries while restricting it in others whose growth is conditioned by and subjected to the power centers of the world.

Given this theoretical construct, it is the position of this article that no capitalist-oriented state in the Third World can realistically fashion out policies to alleviate poverty. This is because the capitalist economic system thrives on, and is sustained by exploitation and inequality. The national bourgeoisie, just like their international counterparts, are all interested in profit maximization. In this process, they will always formulate and implement policies which would enhance their capacity to expropriate surplus from the system. It is in this light that we are going to examine the structure and performance of the Nigerian economy with a view to determining whether or not it has the capacity to alleviate poverty in Nigeria.

THE STRUCTURE OF NIGERIA’S ECONOMY

Nigeria’s economy is structured to reflect that of North America and the Western European countries. Even before independence in 1960, the foundation of capitalist economic system was laid in Nigeria as far back as the period of Atlantic Slave Trade. However, according to Ake (1983), the main mechanisms by which Nigeria, as indeed other Third World countries was integrated into the mainstream of world capitalism were, monetization process, imperialism of trade and foreign investment.

In view of the fact that Nigeria was inserted into the epicenter of world, capitalism during the period of colonialism, it was not surprising that after independence those structures were not only retained but reinforced. Thus, at independence, the Nigerian state adopted a brand of capitalism called mixed economic systems. The implication of this type of system is that both the public and private sectors drive the economy. However, unlike the private sector that exists in advanced capitalist states, in the case of Nigeria, this sector is “composed of capitalists who do not organize labor, capital, raw materials, and energy to produce a product for market, but engage in middle-man activities” (Zwingina, 1992).
Besides, the two dominant sectors, Nigeria’s economy is functionally structured into five different parts. These are: Agriculture, manufacturing, mining, building and construction and general commerce (Ayanwu, 1993:6-13). Prior to the 1970’s, the agricultural sector was the mainstay of Nigeria’s economy. It accounted for about 80 percent of the country’s Gross National products (GNP). This sector involved the cultivation of land, rearing of animals, fishing, and forestry. Theoretically, this sector is expected to energize the economy by transforming both the social and economic framework through the creation of employment opportunities, reduction of poverty and improvement of living standard among others. But so far, this has not yet materialized due largely to the dependent nature of the economy on that of the advanced capitalist countries in America and Western Europe. Manufacturing sector in Nigeria has the potentials of transforming the economy from agrarian to an industrial one given the vast resources in the country. In concrete terms, Nigeria’s manufacturing is characterized by low technology and light industries.

Although there are many small scale and medium size enterprises their growth and capacity to generate foreign exchange earnings to the country is stymied by such factors as lack of capital, absence of local technology, and above all frequent power outage. Another problem of Nigeria’s industrial sector is absence of inter-sectoral linkages. Due to this and other reasons; “investors tend to bunch together in the fast selling consumer goods sub-sector” (Eleazu, 1988). Thus, on the main, the manufacturing sector in Nigeria is dominated by Multinational Corporations (MNCs).

Besides agricultural and manufacturing sectors, mining, and quarrying are central to the Nigerian economy. This is because Nigeria is blessed with a lot of minerals. Geological surveys have revealed that Nigeria is pregnant with metallic, ceramic, chemical, crude oil, and other industrial minerals. However, modern activities in mining have involved crude petroleum and associated gas production. In view of the low level of technological development, it is foreign owned oil companies that dominate this sector in terms of exploration and exploitation.

Building and construction is another important sector of the economy. According to Ayanwu (1993), it involves all economic activities performed by general builders and civil engineers, associated trade contractors, as well as those engaged in repairs, maintenance, alterations, and expansion of buildings and other civil engineering structures. Available statistics indicate that although this sector is expected to be touchstone of development, it is dominated by Multinational Corporations. The activities of such MNCs as Julius Berger, Dumex, Tailor and Wood, Costain, MCC, and RCC just to mention a few are quite instructive.

General commerce also constitutes the core sector of the economy. It includes buying, selling, exchange, and distribution of goods and services. Although this sector is expected to serve as an engine of growth, it has not lived up to expectations due to structural rigidities. For example transport system in Nigeria is not well developed. Most roads across the country are in bad shape. In addition, most traders have no access to credit facilities due to lack of collateral security.
PERFORMANCE OF THE NIGERIAN ECONOMY

Undoubtedly, Nigeria’s economy is still underdeveloped and dependent notwithstanding the existence of abundant resources, both human and natural. According to Ekpo (2004), the country’s economy has experienced all the phases of a typical business cycle such as: decline, depression, recession, recovery, and boom. Since the integration into the mainstream of world capitalism, Britain had tailored the economy to be externally oriented. The essence of this, as Cheweizu (1983), reminded us, was to promote limited development so as to make it more serviceable to Western interest. For this reason, the economy was over dependent on imported capital and manufactures goods and its underdeveloped infrastructures bears the heavy legacy of its colonial past (Olukotun, 1992). During the colonial period, the Nigerian market was dominated by British and other Western firms such as the UAC and Unilever affiliate John Holt, Patterson Zoconis, C.F.A.O and the Swiss owned Union-trading Company.

Given the level of dependence, the Nigerian state has adopted many bourgeois-oriented strategies to explode the shells of backwardness and then move the economy to the frontiers of self-reliance. The first of this strategy had been import substitution industrialization (ISI). This method involves local production of goods through the application of foreign capital and inputs. The logic that informed the application of this strategy was that, it will lead to a rapid level of industrialization and at the same time help to cut-off outflow of surplus (Ollawa, 1981). It was also contended that this method would help in poverty alleviation by generating employment opportunities as well as boosting the standard of living of the average Nigerian.

On the basis of the perceived strengths of import substitution, the Nigerian state initially placed emphasis on agro-allied industries. This included vegetable oil extraction, tanning, textiles, brewing, and cement manufacturing. But as the economy gained strength due to oil boom of the 1970’s, this strategy was extended to light and heavy industries. For instance, the Third Development Plan of 1975-80 emphasized vehicle assembly plants as well as the development of heavy industries such as iron, steel, and petrochemical projects (Uwechue, 1991). However, as oil revenue shrank in the 1980s, manufacturing activity was also reduced drastically. The government was constrained to deemphasize the policy of promoting heavy industries.

In practice, import substitution industrialization did not contribute meaningfully to the economic growth. It also failed woefully with respect to poverty alleviation. In the first place, this strategy was “capital-intensive and required both intermediate and capital goods from abroad to sustain production”. Secondly, its heavy reliance on foreign spare parts as well as technical skills for maintenance, repairs, and replacement as well as its capital intensive nature, tended to worsen the development crisis in this way increasing the level of poverty, (Ekpe 2001).

In the realm of trade and commerce, Britain in the early 1960’s purchased about 46 percent of Nigeria’s exports and other European countries bought about 30 percent. However, by 1973, the situation was reversed such that the European Economic Community(EEC) controlled about 30 percent of Nigeria’s trade while the UK had only 18.6 percent (Ekekwe, 1986). In the late 1960’s when oil dominated Nigeria’s exports, America made serious inroad into Nigeria’s external trade. USA became
the biggest single buyer for Nigerian oil, followed by Germany, France, Italy, and the UK. But curiously, in spite of America’s dominance, UK remained the biggest supplier of imported goods to Nigeria.

By 1986, oil accounted for about 98.7 percent of export receipts. This was followed by cocoa, then rubber, and palm produce. However, in 1980’s Nigeria’s export shrank from their record level of $26 billion 1980 to $27.2 billion in 1988. Nigeria’s imports were also drastically cut since 1982. They fell from a peak of $21.5 billion in 1981 to about $4.5 in 1986 (Uwechue, 1991) The major factor that was responsible for the slump in Nigeria’s external trade was due to unfavorable developments in the international economic scene. This included a fall in oil prices, rise in real interest rates, and the collapse in commodity prices. In addition, between the years of 1981-1992, the Nigerian economy was afflicted by “external shock”. At that period, world oil prices collapsed with serious adverse effect on government revenue, which fell from $22.4 billion in 1980 to $16.7 billion 1981 and to 14.4 billion 1982 (Osagie, 1993).

The net result of the deficit which ensued was that government had to source for funds both internally and externally to sustain the economy. According to the government source, this marked the beginning of Nigeria’s foreign debt profile with its grave implications for the financial well-being of the economy (Ministry of External Affairs, 1991).

Against the backdrop of perennial economic imbroglio that entangled Nigeria, the Babangida’s administration in 1986 was forced by the Bretton Woods institution to adopt Structural Adjustment Program (SAP) as a viable therapy to resolve Nigeria’s economic crisis. But the liberalization and deregulation of the economy rather than bring succor, deepened and complicated the development crisis in Nigeria.

The regime of Obasanjo from 1999-2007 had introduced the new economic reform program, National Economic Empowerment Strategy (NEEDS) in 2004. This strategy is currently implemented in Nigeria under President Goodluck Jonathan. However, this policy is not too different from the IMF-WB sponsored Structural Adjustment Program. This is because virtually all the elements of SAP, namely privatization, deregulation etc, are embedded in the new program (Ekpo, 2004). Like SAP before it, not much is expected of NEEDS because of its capitalist heritage.

**PROBLEMS AND CHALLENGES**

Poverty alleviation efforts in Nigeria have been pursued through the application of orthodox capitalist strategies. For instance, the first three National Development Plans indirectly attempted to deal with poverty reduction through the pursuit of economic growth. The fourth development plan attempted to curtail the level of poverty through, “The increase in the real income of the average citizen, even distribution of income among individuals and socio-economic groups”.

In addition, government had on many occasions taken calculated steps to combat poverty through institution building. Some of these institutions included, local government, banking institutions, and government ministries. However, rather than mitigate the situation, the application of these capitalist strategies has worsened the level of poverty. Some bourgeois scholars
attribute this to the fact that many of the programs were either not well designed, formulated, or implemented in a coordinated manner (Ukpong, 1999, Ajakaiye & Olomola, 1999).

The above position is fallacious and incorrect. The fundamental reason why most government strategies and programs have not been able to alleviate poverty is rooted in the capitalist economic system which Nigeria adopted. One such problem which is precipitated by capitalism is what Todaro & Smith (2004), call “dominance, dependence and vulnerability” of the economies of Third World Countries”.

It is strongly contended that the most crucial factor that accounts for the persistence of low levels of living, rising unemployment, and growing income inequality in the Third World is the highly asymmetrical distribution of economic and political power between the rich and poor countries. This makes the rich nations not only control the pattern of international trade but also to dictate the terms whereby technology, foreign aid, and private capital are transferred to developing countries. Given the highly unequal distribution of world resources between the North and the South, it is not surprising that the economies of the latter cannot be resilience and self-reliant. Under this situation poverty alleviation is untenable and cannot be sustained.

Another problem with the capitalist economic system is that it makes the economies of Third World countries in general, especially Nigeria in particular, to be externally oriented. This inhibits the development efforts of the poor nations. According to Todaro & Smith (2004), this has been manifested through the transfer of developed world values, attitudes, institutions and standards of behavior to poor countries. For instance the transfer of inappropriate educational structures, curricular, school system, and the organization and orientation of health services in accordance with the curative rather than preventive model; and the importation of inappropriate structures and procedures for public bureaucratic and administrative systems.

In addition, the impact of social and economic standard of the North to the developing countries in terms of salary scales, elite lifestyle, and general attitude toward the private accumulation of wealth tend to weaken any meaningful efforts at poverty alleviation. This is because whether there are market friendly policies or a well focused government intervention, such attitudes tend to exacerbate the level of corruption and economic plunder by a privileged minority. A good example for Nigeria can be found between the years 1999-2007, the revenue of the Federation was a whooping N27.7 trillion. This amount of money was more than 80 percent of Nigeria Federally collected revenue from 1970-2007. However, this was not translated to employment generation or social amenities provision due to corruption in high places. In fact as observed by Yusufu (2010), the roads and powers sectors were in parlous state across the country regardless of N 500 billion the Federal Government, under President Obasanjo claimed to have invested in those sectors between 1999 and 2002.

Another fundamental problem of capitalism with respect to poverty reduction is that it enhances the deterioration of the position of the working class. Given the fact that production under capitalist economic framework is geared towards profit maximization, this leads to conditions in which part of the working population is ousted from production and driven into poverty (Bunkina, 1985).
In Nigeria, many workers lost their employment due to the adoption of capital intensive method of production in some sectors of the economy. Many were also laid-off due to the rationalization exercise that was adopted during the SAP years. Again, the structural adjustment program which was implemented in Nigeria from 1986 worsened the incidence of poverty in the country. According to Obadan (1997), it accentuated socio-economic problems of income inequality and led to unequal access to food, shelter, education, health, and other essentials of life. This was so due to some of the conditionalities which were spelt out to Nigeria by IMF and World Bank. Some of them included review of public expenditure, removal of subsidies and reduction of grants, as well as subventions and loans to parastatals. With complete government’s deregulation of the economy, virtually all social services, education, health, and infrastructural facilities, declined irredeemably. This supports the thesis that capitalist economy, instead of alleviating poverty, rather intensifies its magnitude and complexity.

By its very nature, capitalism strives and is nurtured by unbridled inequality. This position has been supported by Toyo (1990) when he observed that the more the economy is monetized and capitalist accumulation develops in all the sectors, the more the national wealth gets concentrated in capitalist hands and propertyless class forms [without property]”. The foreign bourgeoisie accumulation takes the form of profit extraction by Multinational Corporations through the exploitation of the workers and peasants. The petty bourgeoisie join to plunder the economy through corruption and by acting as agents of the international bourgeoisie. When the society is polarized into, “the rich class and the propertyless class [without property]”, this is obviously a far cry from the rhetoric of social justice, balanced growth or egalitarian society, which the Nigerian state aspires to build (Toyo, 1990).

The accumulation of capital affects the vital interest of all the classes of the capitalist society. It makes the rich become richer and the poor, poorer. Thus, in absolute terms, it worsens the condition of the working people. According to Abalkin, Dzarasov and Kulikov (1983), “One of the main manifestations of the absolute impoverishment of the working class is the gap between its wants and the extent to which they are satisfied, or the real living standards”. Given the fact that in spite of the growth of real incomes, the gap between wants and the extent of their satisfaction, is not bridged capitalist economic system cannot alleviate poverty.

Another problem with capitalism vis-à-vis poverty eradication is that, it tends to destroy the social structure and cohesion of the society thus making it impossible for communal effort and local net-works for local enterprises to thrive. Prior to adoption of capitalism communal mode of production was widespread in Nigeria. Goods and services were communally and collectively produced for common good. But the advent of capitalism production was geared towards maximization of profit. The quest for profit and the monetization of an economy completely dislocated the social fabric thus making it impossible for people to cooperate on non-monetary and profit making ventures.

As could be gleaned from the analysis so far, despite bold attempts which were taken by the various governments, the economy is still in the woods. This is due largely to the application of mostly capitalist-oriented strategies for economic development. In the industrial sector for instance, due to the dependence on Foreign Direct Investment (FDI), no effort was
made towards the development of indigenous technology. In addition, no attempts were made toward sourcing and applying local raw materials for production. Also, there was virtually no deliberate policy which was aimed at reducing the concentration of industries in the urban centers and shifting them to the rural areas (Onoh, 1990).

In the face of extreme dependence that characterizes the Nigerian economy, poverty alleviation is no longer a feasible project. There are basic contradictions in capitalism which tend to blunt the edge of any weapon used in combating poverty. Secondly, any attempt aimed at improving the living conditions of the poor is seen as having the potentials of undermining economic interest of the bourgeoisie class. Against the background of the inability to meaningfully alleviate poverty through the application of capitalist economic framework what are the options?

**POLICY PRESCRIPTION**

Two options are opened to the Nigerian state if it is really serious about the project of poverty alleviation. These are either the socialist path or the state regulated capitalism. If the first option is adopted, the Nigerian state should first and foremost detach from the capitalist economic orbit. In the process, attempt should be made by the state to abolish private ownership of property. The state should seize all the private property and take absolute control of the means of production and distribution of goods. When this is done, the root cause of inequality and by extension poverty would have been obliterated.

With the adoption of centrally planned economic system, the state should ban the importation of many consumable goods. Effort should be intensified by the state to produce most of these essential goods locally with the application of indigenous technology and industrial input. If this is done, it will go a long way to generate enormous employment opportunities to alleviate poverty.

In the alternative, state regulated capitalism should be adopted. Unlike the present capitalist economic system which is based on liberalism and deregulation, strong state intervention is imperative, if under this model.

The policy of whereby the state is involved in economic planning and intervention would afford the Nigerian state the opportunity to provide, not only political, but also economic leadership. With this, the state will be able to promote technological programs in some selected industries, (Ekpe, 2007). In addition, strong state intervention enables the state to create an economic and financial infrastructure, which would be used to accelerate the level of industrialization. According to Pack & Page (1993), the state can do this through prudential regulation and supervision, limits on competition and institutional reforms.

It is also contended that, it is only strong state intervention, rather than unfettered market mechanism that is capable of stimulating development through investment on human capital development. If the Nigerian state gives priority on improving the educational system at all levels, it would likely enhance economic and industrial development. With a self-reliant economy, there is a greater likelihood that economic growth would be boosted, and by implication, the level of poverty reduced.
SUMMARY AND CONCLUSION

The central argument of this paper is that poverty alleviation is untenable under a capitalist economic framework. The work has maintained that poverty level in Nigeria has increased instead of reducing as could be glance from the empirical evidence drawn from the United Nation Development Programm Human Development Report (2008-2009). The situation has remained regardless of past government’s efforts which were aimed toward alleviating poverty. Some of these strategies included, Operation Feed the Nation (OFN), the Green Revolution (GR) National Directorate for Employment (NDE), National Poverty Eradication Programme (NAPEP), and the National Economic Empowerment Development Strategy (NEEDS). From some of the works reviewed it is contended that failure to alleviate the poverty is attributed to poor policy formulation and the non involvement of the poor in the implementation process (Ukpong, 1999; Ajakaije & Olomola, 1999).

This work dismissed the above arguments as being devoid of empirical accuracy. It rather argued that poverty alleviation is untenable under a capitalist economic framework. To validate this premise, the structure of Nigeria’s economy was analyzed, clearly demonstrating that the economy is highly dependent and this eviscerates development resources and stimulates poverty. In addition, the inherent contradictions of capitalism were highlighted. This includes polarization of the society, appropriation, and accumulation of capital and the impoverishment of the working class. These vices rather than alleviate poverty exacerbates its growth rate. On the basis of our findings we posited that the Nigerian state can only fight the war against poverty if it either adopts the socialist economic system or regulated capitalism.

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ABOUT THE AUTHOR:

Aniekan E. Ekpe: Associate Professor, Department Of Political Science & Public Administration, University Of Uyo, Uyo