

# We are not in a short recession, Mr. President; we are in a serial recession that is close to a depression (1)

The programmes I have outlined will revive the economy, restore the value of the naira and drive hunger from our land. President Buhari, Independence Day Speech, October 1, 2016

LET me start by admitting that for a long time before the President's Independence Day speech last week, I had been experiencing some concern, some discomfiture that most commentators have been saying that we are now in a recession that began with the official devaluation of the naira when the truth is that what we are going through not only started long before the devaluation of the national currency but has indeed been going on for so long that it is much closer to a depression than a recession. But having made this observation, I must nevertheless emphasize that it was the president's speech that finally convinced me that I had to write about the matter. This is because both in the title that most newspapers and newsmagazines gave the speech - Nigeria's Economic Recession Is Real But Would (sic) Not Last - and in the analysis of the crisis and the "solutions" proffered by Buhari, it was obvious that the President really had a short recession in mind, with depression absolutely nowhere in sight in his thoughts and projections.

As a matter of fact, this is clearly reflected in the sentence that I have excerpted from the president's speech for the epigraph for this piece, a sentence which indisputably shows that because he thinks we are in a short recession that began with the catastrophic fall in the value of the naira, Buhari expects a quick fix for the severe shortfalls that the national economy and the good people of Nigeria are going through right now. Typically, a recession does not last long. Compared with an economic depression, it is like going through a brief ailment that lasts for a couple of weeks in comparison with suffering a long, life threatening illness. No, Mr. President, economically we are not suffering a bit of a cold that requires no more than a cold and/or cough mixture; we are in the grip of a serious pandemic that will require procedures and medications adequate to the nature of the serious nature of the illness - precisely because we are in a serial recession whose repeated occurrence over the last two to three decades indicates that we are always on the brink of an economic depression.

Now, it is an elementary principle in the science of economics that though there are similarities and continuities between them, a recession is very different from a depression. As a matter of fact, the two terms would not have been invented and applied to describe different phenomena by economic theorists if there were no great, perhaps profound distinctions between the terms. In a short series of two essays that begins in this column this week, I wish to discuss this issue with particular focus on its implications both for state or governmental policy and the expectations



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•Muhammadu Buhari, President, Commander - in - Chief of the Armed Forces, Federal Republic of Nigeria: "A short recession or serial recessions closer to an economic depression than a recession?"

and hopes of Nigerians in their tens of millions across the length and breadth of the land. So, for starters, let us briefly deal with the differences between a recession and a depression, together with the issue of why it is very important not to either willfully or unknowingly confuse one with the other.

Before getting to the issue itself, a note of caution. I am by profession not an economist; I am a literary critic and cultural theorist. However, for nearly half a century now, I have been deeply interested in the science of economics, especially in its more progressive and/or "philosophical" traditions (Adam Smith; Karl Marx; John Maynard Keynes; Obafemi Awolowo; Julius Nyerere; Paul Krugman; Eskor Toyo) as distinct from its more conservative, neoclassical and "econometric" currents (Milton Friedman and the Chicago School; Ragnar Frisch; Bruce Hansen; and our own Charles Soludo). This in effect means that while I will not avoid conventional or even neoclassical economic considerations in this piece, my focus will be more on the public good in relation to the driving ideologies and effects of economic activities, far beyond their reflection in narrow professional disputes among economists. In other words, just as it is often said politics is too important to leave to politicians and law is too important to leave to lawyers, I say here that the economies of our nation and our planetary community are far too important to leave to economists. At any rate, our discussion of recession(s) and depression(s) as economic phenomena will be very brief, the main point being essentially to address the central issue of this discussion which is that we are not in a short recession as the President and his (eco-

omic) advisers obviously think, to go by his Independence Day speech last week.

To give a concrete illustration of the essential difference between a recession and a depression, permit me to draw an instructive analogy from the field of medicine. Thus, just as physicians of the homeostatic school of medicine believe that the body, the organs and the tissues all naturally tend towards health and wellness and disease is an aberration, an abnormality that the body always quickly tries to "heal", so do most traditional or conventional economists believe that expansion and growth represent the normal state of affairs in economic activities while most "slowdowns" or recessions are brief and tend to be more rare than frequent. Indeed, some economists go so far as to define recession as being characterized by a period of negative economic growth for no more than two consecutive quarters! Unemployment rises, industrial production falls, real GDP adjusted for inflation decreases, incomes stagnate or fall especially with regard to their purchasing power in wholesale and retail sales and government borrowing increases. These are the typical features of a recession. If they all seem like frightening things, mercifully they tend not to last for too long in a recession. If they last for too long and moreover get worse, then you have a depression, the mother of all recessions. Please always remember, dear reader, that most traditional or conventional economists believe that, as in life itself, expansion and growth constitute the normal or even "natural" state of economic activities and recession is an abnormality that doesn't or shouldn't last too long.

But now think, compatriot: when has every single one of these phenomena not been happening in our national economy and on a

more or less continuous basis for a long time now? When has unemployment not been high and in double digits? (In a recession, unemployment is supposed to be in single digits; it is in a depression that it falls into double digits). When has industrial output not been in continuous decline in our country in the last three decades? When has our governments, federal and state, not been borrowing from both internal and external creditors even when the world price of oil was relatively high? Did the rise in unemployment in our country begin with the official devaluation of the naira? Hasn't the value of the naira in relation to the convertible currencies of the world been falling, falling and falling for a long time now, only to assume its present catastrophic and spectral scale with the devaluation?

To put concrete, human faces to these questions, I cannot remember a time in the last two decades when I have not been overwhelmed by relatives, friends, acquaintances and neighbors with the CV's of their university-educated daughters and sons who have been on the job market for years and years after their graduation. In my neighborhood at Oke-Bola, Ibadan, I can't remember a time when there haven't been scores upon scores of youths with absolutely no prospects of gainful employment now and in the future. And I have lost count of the number of years when most of the factories at the Oluyole Industrial Estate, the main manufacturing corridor in Ibadan, all closed down and laid off their employees. Every time that I drive through the area, I shake my head in great sadness and bewilderment. Is this not a profile, compatriot, that is applicable to virtually all neighborhoods in the country, both urban and rural? And yet the President and his economic advisers

and speech writers talk of a short recession that began only recently and will not last long! Any thinking, concerned and caring Nigerian who for one second believes the President and his advisers ought to have his or her mental and emotional state checked!

In the context of all I have been saying in this essay, it might be profitable to ask why no one has ever said that we are either in a depression or close to it. I think there are two reasons that are closely linked for this. First, we have not yet seen the worst or the most frightening things associated with economic depressions. What things, what phenomena are these? Well, things like a total collapse of the banking system that induces a run on the banks as millions of people line up to take as much as they can from their accounts before it is too late. Things like a national currency whose value is little better than toilet paper. Things like wholesalers and retailers hoarding foodstuffs and other essential commodities while waiting for prices to rise again. And things like the disappearance of "payday" as deliverance day because pay packets no longer serve any valuable purpose. The far more dramatic phenomena are the mass suicides of men and women completely overwhelmed by the hardships they and their families have to endure. There are countries on our continent and other parts of the developing world undergoing most of these phenomena that have not (yet) declared that they are in the grip of an economic depression. If that is the case, why would a country like Nigeria that still has oil wealth coming into its coffers declare that it is in or close to a depression?

And of course, there is that oil wealth itself. It is considerably down because of the fall in the world price of crude petroleum and the shortages in production caused by destruction of facilities by the Niger Delta militants. But it is still flowing into our national coffers in magnitudes that make it possible to stave off a full-blown slide into economic depression, even though our recessions have been so long that they abstractly and formally qualify for being declared a depression. Meanwhile, please note, compatriot, that Buhari could have made things easier for himself and his administration by stating, quite truthfully, that since the recession did not start with his coming to power, it will take time to tackle the challenges. He and his advisers didn't take this path apparently because they believe, like all administrations before them, that with oil wealth, you can spend, or more appropriately "buy", your way out of any recession or depression. This extremely naïve and dangerous thinking has its roots in a national economy in which nearly everything is imported. In next week's continuation of the series, we shall start with this simplistic assumption that reflation through access to oil wealth is what will keep our economy afloat and in the President's own words, "drive hunger from our land".

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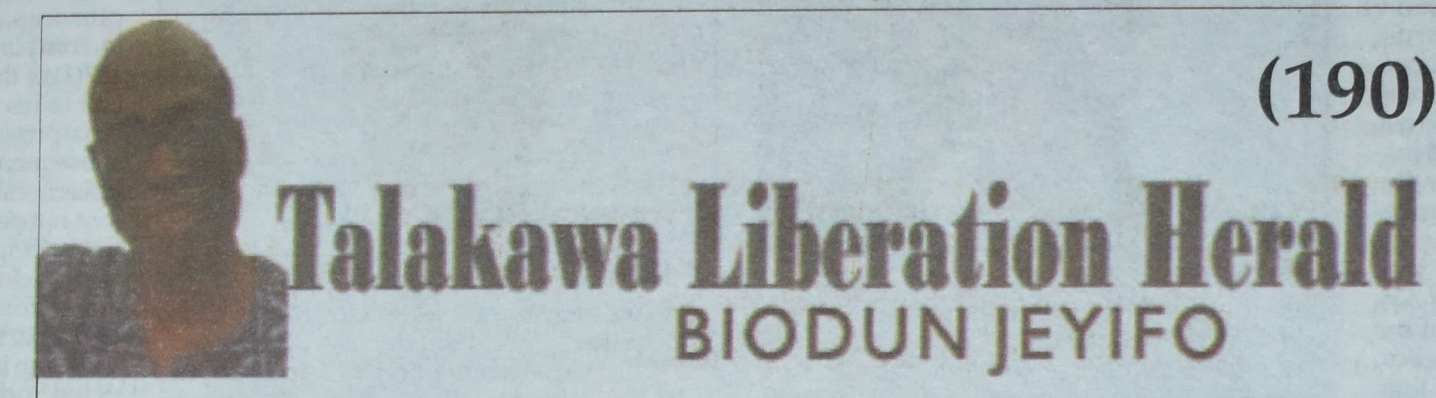
# We are not in a short recession, Mr. President; we are in a serial recession that is close to a depression (2)

*If you put the federal government in charge of the Sahara Desert, in five years there would be a shortage of sand.*  
Milton Friedman

LAST week, I ended the discussion with the following observation. In his Independence Day speech, President Buhari would have been both closer to the truth and doing himself and his administration a lot of good if he had told Nigerians and the world that since the recession did not start with him, it would take quite a while before his efforts could be expected to turn things around for most Nigerians and the national economy itself. Needless to say, some questions arise from this rather strange decision of the President not take this path in his speech to the nation on October 1. Did Buhari and his advisers think that if he had told Nigerians this truth that the so-called recession did not start with him, most Nigerians - and his enemies in particular - would have accused him of passing the blame to previous administrations? Was the President afraid of being called a weak, confused or irresolute leader unable to rise to the occasion to stop the massive hemorrhaging of the national economy? Or did the President and his advisers simply and truly believe that we are really in a short recession that would, like most recessions, not last for a long time, especially if the right policies and actions are applied?

I leave the probable answer(s) to each of these questions to the reader. However, I for one would like to offer the view that the answer to all the questions without exception is a resounding YES. In other words, just as Buhari apparently does not want to give his enemies the "ammunition" in the view that more than a year in office he is still passing the blame for our economic woes to previous administrations, so also does he not want to be considered a weak, confused and indecisive leader. Above all else, I also think that Buhari and his advisers do really believe that we are in a short recession that can be "cured" with careful use of the vastly reduced revenues that are still flowing into our national coffers even with the fall in the world price of crude petroleum. And this is what worries me the most, this sinking suspicion that not only Buhari and his administration but virtually the entirety of our economic and social elites believe that we are indeed in a short recession that can be managed and curtailed by a "reflation" made possible by the combination of our oil revenues and loans from both internal and external markets.

This is the very simplistic and dangerous belief that I wish to explore in this concluding essay to the series that began last week. A man, a woman, a government can believe anything that he, she or it wants, as long as it does no harm to anybody, especially if it does not go from mere belief to



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• "Ships docked at Apapa Wharf: foreign imports must keep coming, compatriots"

action and deeds in the real world. I can find no better analogy to explain what I have in mind here about beliefs and the consequences they can have in the real world than the tragic devastation that Hurricane Matthew recently had on some communities in the Americas and the Caribbean. As the hurricane began to grow from a tropical storm off the African coast to a full-blown hurricane as it approached the Atlantic coast of the Americas, the warnings went out from authorities for people to evacuate their homes because "Matthew" was expected to be a Category 4 monster. However, some folks believed that as they had done many times in the past, they could also ride out the fury of "Matthew" and so they did not evacuate. As a result of this erroneous belief, many lives were tragically and needlessly lost.

I am using the analogy of tropical storms and category four hurricanes quite deliberately in this discussion. Extending this analogy to the domain of economic activities and the wealth and poverty of nations, one could say that a recession is like tropical storms that, generally speaking, tend not to last too long or cause catastrophic damages on peoples and communities. By contrast, a serial recession is like a typhoon or a hurricane because like an economic depression, it lasts for quite a while and causes colossal havoc that usually takes a long time to recover from. In the light of this analogy, I put it to President Buhari and his economic advisers that whatever category one chooses to examine, our national economy has for a long time now been relentlessly

battered by a hurricane, not a mere tropical storm: waves after waves of high school leavers and university graduates unable to find employment; industrial production operating well below 30% of installed capacities; absolute poverty rate of six to seven out of every ten Nigerians; the borrowing frenzy of our federal, state and even local governments, even when oil prices on the world market were relatively high; and ever rising levels of hardship, insecurity and restiveness among large segments of the population, especially the youths that constitute the biggest demographic community in our society. It is a great error, Mr. President, to call a hurricane a mere tropical storm that will soon end.

At the level of formal discourse in the professional field of economics, concepts like recessions and depressions are meaningful and useful *only* in the true capitalist nations and economies of the world; they do not explain much in the kind of pseudo-capitalist economy that has been in operation in our country for a long time now. There are many reasons for this. Perhaps the most important reason in the context of the present discussion is the enormously significant fact that, unlike Nigeria, in true capitalist economies wealth - or *capital* in its abstract form - is not and indeed *cannot* be constantly and relentlessly looted and taken out of productive, value-added economic activities. A second reason that is of equal importance is the fact that in contrast with what obtains in Nigeria, in true capitalist economies, recessions are not measured by a sudden and very sharp, very severe drop in

the capacity to pay for imports in an economy that is overwhelmingly dependent on the importation of nearly everything needed to keep the economy running or working. This particular feature of the pseudo-capitalism in force in Nigeria is what I had in mind when I chose to quote from Milton Friedman, the arch-monetarist, free-market founder of the Chicago School of Economics for the epigraph for this piece. In a hundred years, I never would have chosen to quote from Friedman, except perhaps my intention was to critique or debunk his ideas and their influence among economists. But in this particular context, I am quoting Friedman with qualified approval: "If you put the federal government in charge of the Sahara Desert, in five years, there would be a shortage of sand".

Of course, Friedman did not have the Nigerian federal government in mind in this famous quote; he had the federal government of his own country, the United States in mind. Like the true supply-side monetarist that he was, Friedman's message in this quote was simply this: as the business of government is not business, government should stay out of business, otherwise what you would have is shortages galore, even of sand in a place with an abundance of sand as the Sahara Desert. In applying this quote to the Nigerian pseudo-capitalist context, for sand let us substitute capital itself: whether the world price of crude petroleum is high or low, it makes no difference to Nigerian governments of the past and the present; there is a perpetual and artificial shortage of capital in the

areas that really matter, there is an unceasing and relentless diversion of the wealth of the nation away from productive economic activities that go beyond the capacity to pay for foreign imports.

Despite all I have been saying in this piece, I will make the following concession to Buhari and his economic advisers in their diagnosis of a short recession and the "cures" for it, as contained in the President's Independence Day speech: professional, salaried, upper middle class Nigerians, together with importers and exporters that dominate wholesale and retail trade in the country are facing "recession" of the kind that professional economists in the true capitalist countries of the world have in mind when they use the concept. This is because the groups and individuals that belong to these categories of privileged Nigerians have been the only real beneficiaries of our over-dependence on foreign imports as the lynchpin of the national economy. Do I need to say why this is the case? Well, as everyone knows, the bulk of whatever is unlooted in our national wealth goes to paying for foreign imports so as to keep this form of national economy alive. Isn't that the case, compatriot?

I do not wish to seem cavalier and insensitive to human suffering in making this observation: the ability to meet obligations and necessities crucial for livelihoods and life itself is under severe, traumatic strain for hundreds of thousands of Nigerians across the whole country. And because these categories of Nigerians often bear responsibility for thousands of relatives and dependents that are less fortunate, the "recession" that Buhari has in mind extends far beyond the circle of the fortunate and the "blessed". It is not unlikely that if for one reason or another world oil prices were to suddenly and unexpectedly spike upwards, relief would come to our import-dependent national economy and its beneficiaries. If this happens, at least for a short while the "recession" would be over.

All the same, compatriots, let us not forget that the vast majority of Nigerians in their millions have been in a serial recession, a sort of depression, for a long time now. Buhari's program for overcoming the "recession" as outlined in his speech on October 1, does not even begin to approach this overwhelming reality of severe hardship and suffering for most Nigerians in the hurricane of a serial recession or depression that they have endured for a long time now. Short of full employment under a vastly reformed capitalism that actually keeps the bulk of capital in both oil revenues and non-oil, value-added surplus accumulation in the country, nothing that the President and his economic advisers do can change the course from the present location of the national economy in the eye of the hurricane of serial, repeated recessions. Mr. President, will our country move away from wasteful and cannibalistic *kalokalo*, *barawo* capitalism under your administration and the rule of your party, the APC?

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