

Opinion

Fafowora's economic perspectives

By Edwin Madunagu

I HAVE been deeply impressed by Dr. Dapo Fafowora's sustained concern with the well-being and development of the Nigerian economy and the Nigerian people. I have also been impressed by his sustained interest in our country's history and contemporary politics. This concern is seen in particular in his column in *The Nation* newspaper. I have followed the writings and speeches of this former senior diplomat and public servant since the middle of 1980s when we both served, in different capacities, on the editorial board of *The Guardian*. Fafowora's article, *29 years of the Cuban revolution*, published in *The Guardian* issue of January 7, 1988 remains a reference material for me.

In that 1988 article, Fafowora had said: "It is generally acknowledged, even by Castro's worst critics, that phenomenal economic and social reforms have been successfully brought about in Cuba under Castro's leadership. Unemployment has been virtually wiped out. Rents have been all but eliminated, and illiteracy wiped out. There is no doubt that the conditions of the Cuban people have improved dramatically. There is social justice and equity in today's Cuba. No wonder Fidel Castro is revered and respected in Cuba as a national hero. Fidel Castro has no personal wealth, does not own villas abroad, and has no personal account. Through the force of his own example, he has virtually wiped out corruption in the public life of Cuba. There are no shady deals and contracts. Health, income levels, and education have grown substantially. There are no beggars in the streets of Cuba."

It would be interesting to know Fafowora's views both on his essay of 23 years ago and the trajectory of the Cuban revolution since then. Although there is always a link between the past and the present – even if there has been a leap or rupture in the objective or subjective sphere, or both – my interest in this article is his contemporary engagement with the Nigerian situation, especially the economy. I am focusing on four essays which

Fafowora wrote in his column in *The Nation* between December 2010 and January 2011, namely: *Jumbo pay for lawmakers* (December 9, 2010); *Budget 2011: Government gets it wrong again* (December 23, 2010); *Security, politics, and the economy in 2011* (January 6, 2010); and *Tackling public sector budget deficits* (January 20, 2010).

From these essays, Dapo Fafowora emerges clearly – in this period in history – as an informed, experienced, methodical and, above all, liberal political economist. He also appears, convincingly, as a Nigerian patriot, a democrat and a progressive intellectual. This much we can affirm. However, it appears to me, also by reading through these essays and his other writings and speeches that I have with me, together with my knowledge of him, that Fafowora is not totally persuaded that what Nigeria's political economy requires – to be able to serve the "common people," as he fervently wishes – is a radical restructuring, not a "clean-up" or adjustment. Yet, his socioeconomic perspectives provide a basis for serious dialogue.

I see a contradiction between Fafowora's correct proposition that "it appears as if the Federal Government is totally oblivious of the need to tackle some fundamental and deep-seated problems of the economy, of which the most critical are the poor infrastructure and mass unemployment at all levels" (and, I would, add mass poverty), and his prescription or endorsement of the strategic objective of promoting a "strong public and private sector partnership in an economy driven by the private sector" (emphasis mine) or an economy whose "engine of growth" is the private sector. I hold, also, that there is a contradiction between his socioeconomic reform perspectives and his addressing his proposals to Nigeria's current "political leaders" – as if they can do anything redeeming. Put differently, Fafowora does not appear to be persuaded that even what we used to regard as mere "progressive" economic reform within capitalism – the type he passionately advocates – would require a revolutionary intervention by a radically different coalition of social

forces.

It is for this reason that I am doing a brief appreciation of the four listed socioeconomic essays: to be able to propose that the contents lead logically to the need for a radical restructuring of Nigeria's political economy or at least a massive redeployment of resources and the institutionalisation of this redeployment. I shall proceed in this appreciation by pulling out some of the specific ideas put forward by Fafowora and concrete corrective measures he proposed in these essays which together constitute a brilliant and progressive critique of Nigeria's political economy. In the remaining segment to this piece I shall be looking at Fafowora's first essay. The remaining three will be appreciated next Thursday, in the concluding installment.

The essay, *Jumbo pay for lawmakers*, was written last December during the round of public debate on the salaries and allowances of the current members of the National Assembly. That round had been provoked by a statement made by the governor of Central Bank of Nigeria (CBN) at a public lecture. While practically all the outside contributors to this unstructured national debate contended that these salaries and allowances – called "emoluments" – were atrociously high, some leaders of the National Assembly maintained, with threats to the CBN governor and his "accomplices," that the figures fed to the public were false and that the real monthly emoluments of a federal lawmakers were, in total, not more than one million naira. The public response was that even this amount was too high. It was within this context that Dapo Fafowora made his intervention.

Fafowora made three inter-related propositions, among others: *One*, that "in a nation in which the new monthly minimum wage is only N18,000 and where over 70 per cent of the people earn less than \$1 per day, there can be no moral or economic justification for the mind-boggling emoluments of members of the House." *Two*, that "it simply does not make economic sense for the government to commit such vast amounts to administrative costs, when there is a crying need to invest

more in such critical sectors of the economy as education, health and infrastructure." *Three*, that "there is no reason why, on a comparative basis, the highest income in the country, particularly in the public sector, should be more than 20 times higher than the lowest income. It is both a moral and economic issue."

While I leave the reader to compute what Fafowora thinks should be the current maximum pay in Nigeria, "particularly in the public sector," let me make a number of comments. First, I endorse what I shall call *The Fafowora Equation*, namely, "the maximum wage is not more than 20 times the minimum wage," or "the minimum wage is at least equal to 5 per cent of the maximum wage." I propose that we remove the phrase "particularly in the public sector." The equation should hold throughout the political economy. It can then be represented mathematically as $y < 20x$ where x , the minimum wage, is a variable and y , the maximum wage, is also a variable. I strongly endorse Fafowora's reference to "moral and economic grounds."

Fafowora's main concern, which is also mine, is with x , the minimum wage. Suppose I propose the minimum wage of N50,000 which was about what Nigerian workers, through their organisations, demanded. If we multiply this figure by 20, we have a million naira which is what a member of the National Assembly leadership claimed as the upper limit of what a federal lawmaker currently earns. Using the *Fafowora Equation*, Nigerian workers have an additional basis for renewing their demand for a minimum monthly wage of N50,000. But this is not the end of the matter.

We know that the consumption of the National Assembly members can be split into two categories: *collective consumption* and *individual consumption*. In applying *The Fafowora Equation*, therefore, I proposed that we find a way of estimating the collective consumption of the lawmakers (such as material privileges attached to House committees and add this to their "emoluments." The result further will strengthen the basis for demanding a new monthly minimum wage of N50,000.

• To be concluded next Thursday.

Opinion

31/4/2011

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By Edwin Madunagu

WE have been appreciating Dr. Dapo Fafowora's economic perspectives through four of his recent essays in *The Nation* newspaper where he runs a column. The objective of the exercise, as I have stated, is to implicitly demonstrate that his ideas, perspectives as well as most of his concrete policy prescriptions, lead directly to the need to radically restructure the existing political economy, or at least, to effect a massive redeployment of the nation's resources in favour of the poor. I also propose that, in today's environment, it would require a radical political intervention to even introduce tangible progressive economic reforms. In the first installment, last Thursday, I did a general and extended introduction, then considered the first of the four essays I listed. In this second, and concluding, installment, I shall look at the other three, and then conclude.

In the second of the four listed essays, *Budget 2011: Government gets it wrong again*, which appeared two days before last Christmas, Fafowora advanced at least five propositions. The first was that the "budget lacks focus," that is, "it is difficult to identify the main objectives or guiding philosophy of the budget." When I read this I said to myself that liars and dissemblers are never focused. The second proposition is that the current "impressive" growth rate recorded for the economy (about 7 per cent) "has not translated into real development." He is not denying the claim of 7 per cent growth rate. But what he is saying is that there has been no "real" development. The third proposition is that the allocation of 66 per cent of the budget to capital expenditure is simply too high. According to him, this trend has been the "reason for the lack of real economic development in the country."

Fafowora's suggestion is that allocations in the budget for capital and recurrent expenditures should be reversed. In other words, not less than 60 per cent should be allocated to capital expenditure, while recurrent expenditure should not consume more than 40

per cent. Fafowora contrasts the Federal Government's "approach to budgeting" to that of Lagos State "where over 60 per cent of its budget is earmarked for capital rather than recurrent expenditure, and where the size of the bureaucracy has been kept under control and constant review. This is why the Lagos State Government is able to finance capital projects that have had a positive impact on the lives of its people. The difference can be seen in the rapid and impressive transformation of Lagos State in recent years with the expansion of the infrastructure, health and education sectors, all of these areas of direct impact on the poor."

Fafowora's testimonial on Lagos State is credible. But it is over-stated. This is, however, not a denial that internal illustrations are a powerful weapon in advocacy. Let me put the point this way: What we are criticising and rejecting is there, before our very eyes; in going beyond criticism to articulating what is desirable and possible, references to internal experiences - historical and contemporary - can be a powerful weapon; we should, however, know that an over-statement can lead to undesirable contradictions.

The fourth and fifth propositions speak directly to what, in my opening paragraphs, I called "massive re-deployment of resources." "The cumulative effect of this wrong approach to budgeting by the Federal Government," says Fafowora in his fourth proposition, "is that it is now trapped by a bloated bureaucracy to which more and more funds have to be committed." This ties up immediately with the preceding proposition. And it also ties up with the succeeding proposition: "The weak and poor must remain the main focus of any budget. That is not the case in the 2011 budget proposals of the Federal Government in view of the huge running costs from which only the rich are likely to benefit" (emphasis mine). Good. But it is not only from the "running costs" of a "bloated bureaucracy" that "only the rich are likely to benefit." It is also necessary to look critically at elements of the infrastructural development that we all advocate.

One of Chinua Achebe's characters says that when rain - regarded as good in this context -

falls, it touches both the tall person and the short person, but that it touches the tall person first. The character, a multiple debtor, used this "fact of life" to ask one of his minor creditors to wait for his turn for settlement. I think it is one of the ironies of social life that the rain touches the evil person who is tall before it lands on the righteous person who happens to be short. We, however, know that different groups of people, depending on their circumstances, may wish for different periods and times for rainfall, different volumes, and different geographical and temporal distributions. I propose that the question of infrastructure - from which everyone benefits - is ultimately ideological, that is, both economic and moral.

In the essay, *Security, politics, and the economic in 2011*, published early this year, Dapo Fafowora sketched dialectical links between three dimensions of our national life: security, politics and economy. He said: "They are interlinked and have to be addressed jointly." Let me summarise him: Nigeria faces the following challenges in 2011: The "growing threat to its internal security from internal subversive acts, particularly terrorism;" "the increasing competition and tension in an election year for political power among the various political parties;" and mass poverty, unemployment, and the "violent conflict generated by the vicious and unhealthy competition among our politicians for power and for the control of the nation's economic and financial resources, massive graft and public corruption and the growing inequality between the rich and the poor." Fafowora's perception here calls for no comment from me. I endorse it completely.

In the fourth and final essay, *Tackling public sector budget deficits*, published in the third week of January 2011, Fafowora estimates that "in addition to existing financial resources the nation needs some \$30 billion annually to close the financial gap;" and proposes that "much of this additional funds will have to be directed towards such critical sectors as infrastructure, health, and education (the development of human capital)." He says that

"oil revenue (about \$40 billion per annum) accounts for over 80 per cent of the revenue of the federal and state government" and that "the balance of 20 per cent is made up of non-oil exports and "internally generated revenues."

On the basis of these estimates, Fafowora made one general proposition and some specific proposals. He called for an "urgent re-appraisal and re-evaluation of the role of the State in the domestic economy." The issue, he continued, "is no longer that of deciding whether the role of the state is smaller or non-interventionist." Rather, "whatever its future role is, it has to be disciplined, focused professional performance oriented, committed to reform, more accountable, more transparent and consequently much more efficient." Beyond all these, however, the state, according to Fafowora, "should show a greater commitment to creating an environment that is more conducive to private sector investment." (emphasis mine).

This is the clearest statement of Fafowora's economic ideology. The key to opening this "ideological package" lies on the two phrases: "committed to reform" and "creating an environment that is more conducive to private sector investment." The name of the package is *neoliberal capitalism with a populist passion*. Its contents include "promotion of a strong public and private sector partnership in an economy driven by the private sector;" massive "investment in infrastructure, health, and education;" and "promotion of entrepreneurship and competition within the ambit of fair, equitable, and enforceable laws."

Brilliant as it is, this package is a re-statement of what has been prescribed for us by the global centres of neoliberal capitalism. It has not led to the radical reduction of poverty anywhere. It is ultimately enslaving, whether in its crude form - as it exists now in Nigeria - or in its more refined form - as proposed by Fafowora. The package has to be dismantled. Some of its contents - and there are several of them in Fafowora's essays - will then be put together as elements of a new liberating package.

- Concluded.
- This column will be on break in April.