Market Economy and Nigeria's Economic Development: Emerging Issues

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Abstract

Attaining economic development has remained a challenging phenomenon in Nigeria and to surmount this challenge the government since 1999 gradually started moving towards a market economy to replace the hitherto mixed economy structure. Consequent upon this, the study sets out to answer the following questions: what are the operational requirements of a market economy? Has the government provided these operational requirements for an effective installation of market economy? The work relied on secondary sources of data and came up with the findings that, Nigeria has majority of its population doing business and this is a good means for the country to eradicate poverty. However, Nigeria's inadequate enabling environment made business operation a struggling venture with discouraging outputs. This phenomenon has accentuated mass poverty and impeded the attainment of economic development for the country. Recommendations were made on how all these could be ameliorated.

Keywords: Market Economy, Mixed Economy, Economic Development, Market and Government Rivalry.

Introduction

Through the 1960s and to the late 1990s, the economic system in Nigeria had the "invisible hand of the market" with the visible hand of the state; that is, both the government and private sectors were involved in the economic development of the country via the mixed economic system. Though, the private sector represented the classical market sphere and the participated in the economy alongside the government during those periods, the government, however, was the main driver of the country's economy.

Again, during the period of mixed economy in Nigeria, the private sector existed but was unorganized, undeveloped and muzzled by unfair competition from government ventures. Similarly, government ventures during the period were characterized by poor leadership/mismanagement, poor supervision and accountability, inappropriate staffing, insufficient reinvestment of returns and earnings, tardy, and inadequate upgrading of infrastructure to accommodate growing demands from the population and new challenges all of which hindered the economic development of the country.

Consequent upon the above, economists have argued that the 'mixed economy' approach is not an economic ideology because it does not have real economic principles which will enable a nation adopt the strategy to have a clearer view of its economic goals and to acquire effective ownership of and control over national resources so as to have greater certainty as to the trend or path of the nation's socio-economic development (Umar, 2015). The argument on whether mixed economy is ideological or not, is not even the issue here because an economic ideology is a means to an end and not the end itself. However, the worry is that, the private sector which represents the classical market that existed side by side with government ventures during the period of mixed economy in Nigeria, was not established to propel economic development of the country. At the turn of the century owing to a lag in anticipated economic development through mixed economy, there was a sudden realization that government has no business doing business, hence the need to transit to a market economy where the struggling, unorganized, undeveloped, unprepared and muzzled private sector is to lead the attainment of economic development of the country.

In a clearer term, the government of Nigeria emphatically envisaged the market to allocate resources to the economy through the private sector amidst these aforementioned challenges. This scope of responsibility envisioned by government through the market economy was *alb initio* noted by scholars to be beyond the market. Therefore, the imminent failure surrounding the attainment of economic development in Nigeria through market economy.

Consequently, the first intention of this paper is not to dismiss the ideology of market economy on the basis of mass poverty, income gap and social inequalities which characterized the Nigerian economy following its adoption, but to expose the reasons for those outcomes. The second intention is to depict that, the ideology of market economy is established on the premise of survival of the fittest and, to survive, there are operational requirements (the enabling environment) that should be in place. The third purpose is to bring to the fore, these operational requirements and their inadequacies in Nigeria.

Conceptual Clarification

Economic Development

Several scholars had opined that economic development is a multidimensional concept encapsulating not just income, but different goals of development such as reduction in infant mortality, increased skill and capacity, advances in literacy rates, greater freedom, higher life expectancy, creativity, self-discipline, extensive access to medical and health services, responsibility, material wellbeing etc (Rodney, 1973,, p. 1). According to Dang and Sui-Pheng (2005), the multidimensional process of economic development involves interactions among different goals of development. The process requires changes in policies to account for new emerging factors and trends. Designing these policies also need to take into consideration the social, cultural, political system and institutions as well as their changing interaction over time in a country.

Economic development in its simplest form not only creates wealth for a nation (Dang & Sui-Pheng, 2015, p. 12), it brings about growth plus organizational change (Hoff & Stiglitz, 2000 in Dang & Sui-Pheng, 2015, p. 13). According to CBN (2007), economic development simply implies increased output, greater efficiency in output generation and changes in the technical and institutional arrangements by which it is produced and distributed.

From the above explanations, it is apparent that the structure of an existing economic system actually determines the technical and institutional modes through which goods and services would be produced and distributed, and this process in turn defines the contour of development, be it economic, social, cultural and political. This interconnection takes us to the next subheadings – mixed economy and market economy.

Mixed Economy

In this arrangement, the technicality and the institutional mode through which goods and services are produced and distributed are jointly carried out by the government and the private sector. In other words, mixed economy comprises of the features of both the socialist and the capitalist economy. In a mixed economic system, there is joint ownership

of the factors of production by the government and private entrepreneurs. According to Umar (2015), mixed economy principle could be said to be predicated or based on government intervention in the economic system.

In a mixed economy, the government goes beyond regulating the economy to active participation in it. In other words, in a mixed economy, the government is actually involved in business operations and charges little amount on goods and services because the other part of the amount may have been subsidized. As a result of this, more people patronize the government sector, but the private sector may refuse to invest in these ventures because they see it as not profitable due to government's comparative advantage. Examples of such ventures in Nigeria during mixed economy era are: electricity, road construction, telecommunications, education, health, security, energy, mining, etc.

Market Economy

According to CBN (2007), a market economy is an economic system in which the means of production and distribution are privately owned and development is proportionate to the accumulation and reinvestment of profits gained in a free market. Cunningham (2011) saw market economy as the most important place for producers and customers to coordinate their actions.

CBN (2012) averred that the ideology surrounding market economy is the absence of government intervention in economic activities; rather demand and supply are allowed to interact and correct disequilibrium in the market. Kalonga (2015) in a conference paper *"Developing free market economies in Africa: Review of progress and constraints,"* noted that market economies emphasize economic liberalism underpinned by privatization, state enterprise restructuring and downscaling of public expenditure on social services. Put another way round, limited government, private ownership, freedom of choice and free enterprise, efficiency, self-interest, a system of markets and prices and competition are the integral part of a market economy.

Market economy is based on decisions of individual producers and consumers. In a market economy, the workings of the market are not directed. Economic decisions are made voluntarily, one at a time, by millions of individuals guided by self-interest. There is voluntary exchange of goods and services between the buyers and the sellers. In others words, in a market economy, individuals and businesses are at liberty to decide what, how and for whom to produce. Consumers are to buy products of their choice from any producer. As a result of this, producers must compete for prospective consumers; setting

up competition that allow consumer with many choices forces producers to use resources efficiently.

We must, however, note that, in a market economy, it is only those that have the money that can actually participate in the system – be it producing or buying products and selling them for profits or buying for consumption. Consequently, those with no money are left behind. Also, in the context of market economy, government involvement in the market is seen as an unhealthy phenomenon. This conception takes us to the discourse on market and government rivalry.

Neoclassical economists postulated that when individuals and firms are allowed to operate freely in an economy characterized by perfect competition, the 'invisible hand' of the market is able to determine the optimum allocation of a country's resources (Pundy, 2002). According to neoclassical economists, government intervention in the economy is improper not only because of bureaucratic blockages, but also because of its tendency to distort market prices and cause misallocation of scarce economic resources (Sentsho, 2001 in Pittay, 2002). David and Brown (2004) emphasized that the reason for government intervention in the market anchored on market failure is insufficient. Consequently, they advised on a complete 'rollback" and a "retreat" of the state in economic affairs (Sentsho, 2001 in Pillay, 2002).

Features that Facilitate a Market Economy

To facilitate the market economy, the government is required to provide a business-friendly and enabling environment for the private sector. These include the provision of public services such as:

(i) Defense, education, health and infrastructure.
(ii) Setting up the required legal and institutional framework for the protection of private property.
(iii) Promotion of Research & Development (R&D) for technological development.
(iv) Support of the financial sector through the work of the Central Bank.
(v) Environmental protection.
(vi) Provision of the needs of those not favoured by the market system.
(vii) Macroeconomic management.

Consequent on the above, what constitutes the operational requirements or the enabling environment for a successful market economy and the role that the government of a country like Nigeria can play or how it should get involved is no longer a matter for debate.

The concern is having known the operational requirements needed to operate a market economy and the role of the government in providing them, the question is: are these operational requirements adequately available in Nigeria? So, let us look at the social political environment of Nigeria from the context of infrastructural provision and provision of the needs of those not favoured by the market system, to draw our deduction on the question raised.

Nigeria's Social Economic Environment: The Reality

(i) **Electricity Provision:** The obvious low voltage supply (sometimes below 3,000 megawatts instead of the needed 10,000 megawatts), power fluctuations, and outright power outage and incessant increase in electricity tariffs have forced industries and individuals to seek alternative sources of power. This phenomenon encroaches on profits as we all know.

(ii) **Road Provision:** Intra and inter-state transportation system is very critical for the movement of goods and services from one part of the country to another. However, most of the roads to and within the rural communities and major highways that link the various states in the country are in deplorable state and this affects the easy movement of finished goods and raw materials needed for further productions. This phenomenon increases the cost of transporting goods which eventually shoot up the cost of the goods in the market. In worst case scenario, goods perish as a result of road inaccessibility causing severe loss to the investors.

The shortfall of critical infrastructure affects the economy in many other ways. One, Nigerians are forced to provide for themselves essential services or pay excessively for inadequate services (Epelle, 2020). Two, the purchasing power of Nigerians is also affected due to rising cost of goods and services. As the cost of production continue to rise the burden is constantly borne by the last consumers who are in the majority and whose income are low, inadequate and most times devalued by complexities of exchange rates.

Furthermore, the inadequacy of critical infrastructure consequently engender low production of goods and services, poor goods quality, low sales turnover, inability to employ, staff layoff, overworking of employees without corresponding compensations, businesses struggle to operate and survive – at times leading to eventual closures or outright relocation to business friendly country – thereby causing loss of jobs and deepens poverty.

(iii) **Security:** For any economy to thrive, the protection of lives and properties is very essential to boost trust and assurance of investment safety – both for local and foreign investors. On the issue of insecurity, the Nigerian society is at the receiving end and the government is not only found wanting but caught in the web of inertia. There is no gain saying the fact that the issue of youth restiveness and militancy in the Niger Delta region, the disturbing incidence of Boko Haram in North-East Nigeria, the bandit groups ravaging almost every path of Northern Nigeria, and the kidnapping cases all over the country, are pointers that insecurity is a serious menace affecting the overall wellbeing of the people. In addition, the above phenomena has also placed Nigeria among the countries that are not safe for business and non-investment friendly thereby making the country less attractive to foreign investors.

(iv) **Education:** Education is required to provide human resources to drive the engine of economic growth and development. This is essential for society to reproduce itself from one successive epoch to another. Nigeria's education system is still beset with problems ranging from poor funding of the public primary, secondary and tertiary institutions to outright abandonment by government leading to dwindling man-power and dilapidation of the infrastructure. This failure by the state brought about several private schools into the system without proper supervision and regulation by the Ministry of Education.

The incessant tertiary institutions strikes (lingering into several months which usually distorts the academic calendar) has reduced the output of our ivory tower over the years. The motivation and the morale of both teaching and non-teaching staff in public primary, secondary and tertiary institutions have also dampened due to government's negligence overtime. The implication is the kind of human resources produced from these citadels, who are almost non-capable of driving the economy and have become liability arising from improper and poor education. The overall consequence is that the country is beset with a grossly inadequate manpower to drive economic competition that comes with a market economy and by extension majority of the citizens are short-change in the process, thereby hindering the attainment of economic development envisaged through market economy.

(v) **Healthcare:** The health of a people is the overall health of a nation. Therefore, a healthy people will engender a healthy economy. However, this is not so in Nigeria. The health of majority of Nigerians is mostly from personal efforts, self-medication, and divine intervention. Most Nigerians of low income earnings who, of course, are

in the majority, engage in self-medication. Greater number of them do not visit the hospitals nor do they consult a doctor when sick owing to no health insurance provision for them. For instance, the typical Nigerian in this category self-medicate in the treatment of malaria disease without proper laboratory test. The overall consequence is that majority of Nigerians are sick but bear the burden arising from inadequate health insurance provision for them. It is from this point that the economic realities of mass poverty, income gap and social inequalities besetting majority of the citizens of Nigeria springs.

Conclusion

In conclusion, Nigeria has significantly large population (estimated at 200 million) to attain economic development; and majority of Nigerians are into petty businesses and this is a good means for the county to operate a market economy that would enhance her Gross Domestic Product (GDP), help eradicate poverty at the macro-level and also engender the attainment of economic development of the country at the micro-level. However, the enabling environment as we have seen, is not satisfactory for the operation of businesses. When the enabling environment or the operational requirements needed for the effective operation of a market economy are not provided, the market ideology would work in the reverse – engendering outcomes such as low output, loss of capital invested, closure of existing businesses and relocation in some cases. The ultimate result is mass poverty, income gap, social inequalities, loss of jobs, and high propensity to criminality as is being witnessed in the country.

Recommendations

Consequent upon the above, the study recommends that the government of Nigeria should do the following:

(i) The issues of defence and provision of education, health and social infrastructure should be given serious priority.
(ii) Legal and institutional framework required for the protection of private property should be set up and strengthened.
(iii) Research & Development (R&D) for technological development should be promoted with award given to outstanding individuals devoid of politics.
(iv) The Central Bank of Nigeria should move beyond regulation to supporting the financial sector to boost economic activities especially at the micro-level.
(v) The environment should be protected for sustainable development.
(vi) Those not favoured by the market system should be provided for through the provision of welfare facilities as is done in Denmark and Sweden.

(vii) Government should intensify macroeconomic management for long term growth and development.

(viii) Government should embark on equitable taxation and wealth distribution among the citizens to curb inequality that market economy may create.

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