DEREGULATIONS AS AN ANTIDOTE TO POVERTY: A THEORETICAL PERSPECTIVE

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Abstract

This paper opens with a thorough review of the literature on poverty. It brings out the various opinions on the subject, including those advanced by different scholars and of course, the I.B.R.D (World Bank). It goes ahead to shed light on the concept of deregulation, especially as understood by the recent Nigerian experience; bringing out the shape of the Nigerian economy before the discovery of oil at Oloibiri, after the discovery and what we have today. Furthermore, it highlights the need for deregulated economy in Nigeria, when it became apparent that the country could no longer forge ahead due to over bloated government expenditure and the consequent galloping inflationary trends. Finally the efforts of the present administration with respect to investment drives deregulation of various sectors of the economy are equally discussed and a caution on why deregulation should be implemented with care is also highlighted.

INTRODUCTION

Definition of poverty are multi-dimensional and it is poverty difficult to find acceptable one. However, it has been argued that the definitions of poverty are greatly influenced by value judgment and belief system, it therefore follows that each country has its own definition of poverty based on their conditions. Thus, this study would adopt definitions that have relevance to the Nigerian situation. Its definition covers different aspects of human, social, economic and institutional dimensions.

Poverty in developing nations, as defined by international organizations, means having a household income of less than U.S $1 and $2 per day critics of this definitions argue that income though an important element in the definition of poverty, does not include the total resources used for existence some experts state that poverty can be defined in absolute or relative terms. Absolute poverty refers to the situation in which a person lacks those things that help to sustain human life, the lack of basic human needs such as food, shelter and clothing (Jegede, 1985). The World Bank defines poverty in absolute terms from voices of perceptions of the poor as pronounced deprivations in well being, such as lack of adequate food, shelter and clothing. Ill-health, to be illiterate, not cared for and not schooled. The definition also broadens to include vulnerability, exposure to risk, voicelessness and powerlessness (Williams, 1992). This all embracing definition covers both the material deprivation and other forms of deprivations. Individuals who experiences these conditions are regarded as being poor or living in poverty.

The National Poverty Eradication Councils of Nigeria defines poverty as “a condition in which a person or group of persons are unable to satisfy their most basic and elementary requirements of human survival in terms of good nutrition, clothing, footwear, energy, transport, health, education and recreation” (Jansen 1978). The definitions of the World Bank and the National Poverty Eradication Councils of Nigeria focus on lack of basic needs, vulnerability, voicelessness and powerlessness. These aptly describe the nature of poverty in sub-saharan Africa in general and Nigeria in particular.
On the other hand relative poverty refers to the situation in which to enable him participate in the national and desirable patterns of life that exist within a given society at a given time (Walter, 1985). It should also be defined as a condition of having fewer resources or less income than others within a society or country (Livingstone, 1992). Relative poverty is based on two assumptions. First that poverty can be defined and understood within the broader socio-economic context of the society in which the individual lives. The second assumption is based on the extent to which a society has a set of cultural values and norms. Any poverty line must be drawn is to the standards of living in a society at a given time (Iniodu, 1997). Based on these assumptions this paper asserts that the definition of poverty changes overtime even within a particular country since standards of living in a society is not static, but rather dynamic. The foregoing definitions have their limitations however. There is the controversial issue of who or what institutions constructs the definition of poverty and the corresponding line since poverty is characterized by different social divisions, there will always be dispute as to the question of definition (Worika, 2004). The operational definition of this concept will focus on that of the World Bank and the National Poverty Eradication Council of Nigeria.

The effects of poverty are corrosive. It destroys aspiration, hope and happiness. In Nigeria and in other poverty stricken ration, this is the poverty that one can feel (Lucas & Joseph, 1982). Poverty also affects one's disposition to participate in community affairs – and self-satisfaction (Worika, 2004). These devastating effects compel various governments in the world to design policies and strategies that could impact positively on poverty.

In Nigeria for instance, different administrations have adopted various poverty eradication programmes. The first was the National Accelerated Food Production Programme and the Nigerian Agricultural and Co-operative Bank established by the Yakubu Gowon Administration in 1972. Obasanjo set up the Operation Feed the Nation (OFN) in 12976. The programme Assigned university students to the rural areas to education the rural farmers on how to use modern technology in farming processes. Nigerian had the Green Revolution Programme floated by Alhaji Shehu Shagari in 1978 and Go Back to Land Programme by Mohammadu Buhari. General Babangida established the Directorate of Food, Roads and Rural In fracture (DFRRI). The people's Bank of Nigeria and the Community Bank of Nigeria were created to provide small loans to the rural poor. The wife Mrs. Maryam Babangida came up with the Better Life Programme to improve the living standards of the rural women. In the same vein, Abacha with the wife set up Family Support Programme and the Family Economic Advancement Programme". It is of note that there programme did not achieve their desired goals for the average Nigerian remains poor and hopeless up till this day.

The Obasanjo’s administration has also tried to tackle poverty, employing certain strategies which include: Youth Empowerment Scheme, Rural Infrastructural Development Scheme, Social Welfare Services National Resources Development and Conservation Scheme and Institute Arrangement for Coordinating the Implementation of National Poverty Eradication Programme (NAPEP) (Eid & Langheire, 1999).

The Government has also established the National Co-ordination Committee to implement there programmes. These strategies cover the different dimensions of poverty in Nigeria which are expected to be Nigerian owned and Nigerian-driven in the light of the principles of the World Bank on the nature of poverty reduction strategies that countries should adopt ([Thomas, 1978]).

THE CONCEPT OF DEREGULATION

Picking from a paper written by Lucky Worika of the Faculty of Law of the Rivers State University of Science & Technology, Port Harcourt, deregulation is not synonymous with increase in
prices, even though that my be one of its short-term consequences. Deregulation, strictly speaking, means the removal of regulation. In economic parlance, it is some what synonymous with de-control or de-monopolization. In the downstream petroleum industry, it would mean reduced governmental interference with refining and marketing of petroleum products and how the industry subsidy on petroleum products. But there would be more entrants into the sector. Our over-bloated and inefficient Nigerian National Petroleum Corporation (NNPC) together with its subsidiaries would cease to have a monopoly of the downstream sector. Imagine that, it was the NNPC drilling for crude oil and gas in Nigeria and that there was no shell Agip, ELF, Chevron, Mobil and the rest of them. However efficient would we have been? And yet, what you have in the upstream sector is more or less this analogy. With more players in the industry there would be more rational and efficient allocation of resources in the short-term effect is to stabilize prices with increased and improved variety of the quality and quantity of petroleum products is circulation for the ultimate consumer.

Furthermore, it would make our petroleum prices far more competitive both locally and internationally. There would be better value for money. Smuggling would be discouraged as those who have perfected the business of smuggling our scarce products for financial gains would not find it any more economically gainful. Government needs not spend extra moneys policing the country’s borders, or sleeping with one eye open.

The truth is that there are stiff opposition to deregulation from various sectors of the Nigeria economy. The question now is this. Why is it so difficult to make an economic more competitive and deregulation so hard to achieve? Why so many governments try, but almost as many fail? Since all citizens stand to benefit from a more competitive market for products and services, the coalition and supports competition should be very wide. More often than not, however such a coalition does not materialize and the political support for pre-competitive policies simply is not there. Why? This question is important not only in transition economics and in emerging countries, but in industrial countries as well. In fact almost everywhere, except possibly in the U.S., and the UK which have started long ago a process of vast deregulation. New Zealand and Ireland followed their example with flying colours.

Lack of corruption is typically the outcome of regulation. Taxi cabs in European cities are expensive because the number of licenses is strictly controlled. By keeping prices artificially high, few licenses crate rents, and the incentive to appropriate them. A fraction of these rents is appropriated by the taxi drivers themselves and a fraction by the public officials who allocate the licenses, either in the form of votes in local elections or of bribes. As a result of deregulation taxis in Ireland are cheap.

Example of the benefits from deregulation abound. For some time after its airline had been deregulated, flying from New York to Los Angeles 5hrs flight was much cheaper than flying from Zurich to Frankfort (a ½ hour trip). And so the US compared with a domestic long-distance call in France. Whenever a electricity industry for instance, various and firms join forces in opposing deregulation. Workers, as well as management, oppose deregulation because it eliminate their rents—the wagers of electrical workers are high precisely because they are able to appropriate a fraction of the rents created in an uncompetitive electricity market. But what if the instead of fighting the electricity industry alone, liberalizes all markets at once with a big bang? Then electricity workers will realise that what they stand to gain as consumer from lower prices throughout the economic more than compensates the loss of liberalizations buy in workers and make deregulation easier.

Deregulating product markets has an additional benefit it makes deregulating the labour market much easier. In the labour market, deregulation take the form of labour protection laws which increase worker’s power when they bargain with forms. Bargaining is mostly about the distribution of excess rents between the form and its workers. In a competitive industry, there is little
Evidence gathered by some scholars show a strong positive correlation across countries between the degree of competition in the product market and the extent to which labour market regulations protect workers. In some cases however, regulation works in the opposite direction: it keeps the price of public services artificially low, rather than too high. This is a case for instance of railway fares throughout continental Europe, which are subsidized by the government: fares are too low but taxes are too high. The general message is that piece meal deregulation is destined to fail. To gather enough political support, deregulation must not the entire economy, not selected industries, one by one. And, to the extent that deregulation eliminates subsidiaries to monitors, it should be accompanied by tax cuts for all.

**THE NIGERIA ECONOMY: AN OVERVIEW**

The oil-rich Nigerian economy, long hobbled by political instability, corruption, and poor macroeconomic management, is undergoing substantial economic reform under the new civilian administration. Nigeria’s former military rulers failed to diversify the economy away from over dependence on the capital intensive oil sector, which provides 20% of GDP, 95% of foreign exchange earnings, and about 65% of budgetary revenues. The largely subsistence agricultural factor has not kept up with rapid population growth, and Nigeria, once a large net exporter of food, now must import food. In 2000, Nigeria is likely to receive debt-restructuring deals with the Paris Club and a $1 billion loan from the IMF, both contingent on economic reforms. Increase foreign investment combined with high world oil prices should push growth to over 5% in 2000-01 (Worika, 2004).

**DOMINATED BY OIL**

The oil boom of the 1970s led Nigerian to neglect its strong agricultural and light manufacturing bases in favour of an unhealthy dependence on crude oil. In 2000 oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue. New oil wealth, the concurrent decline of other economic sectors, and a lurch towards a statist economic model fueled massive migration to the cities and led to increasingly widespread poverty, especially in rural areas. A Collapse of basic infrastructure and social services since the early 1980s accompanied income had plunged to about one quarter of its mid 1970s high, below the level at independence. Along with the endemic malaise of Nigeria’s non-oil sectors, the economy continues to witness massive growth of informal sectors economics activities estimated by some to be as high a 75% of the total economy.

Agriculture has suffered from years of mismanagement, inconsistent and poorly conceived government policies and the lack of basic infrastructure. Still, the sector accounts for over 41% of GDP and two-thirds of employment. Nigeria is no longer a major exporter of cocoa, groundnut rubber and Palm Oil, trees, is stagnant at around 180,000 tons annually; 25 years ago, it was 300,000 tons. An even more dramatic decline in groundnut and palm oil production also has taken place. Once the biggest poultry producer in Africa, corporate poultry output has been deregulated downstream petroleum process. And the government still intends to pursue the deregulation of state refineries despite significant internal opposition, particularly from the Nigerian labour congress.

**INVESTMENT**

Although Nigeria must grapple with its decaying infrastructure and a poor regulatory environment, the country possesses many positive attributes for carefully targeted investment and will expand as both a regional and international market player. Profitable markets outside the energy
sector, like specialized telecommunication providers, have developed under the governments reform programme. However, to improve prospects for success, potential investors must educate themselves extensively on local conditions and business practices establish a local presence and choose their partners carefully. The Nigerian government is keenly aware that sustaining democratic principles, enhancing security for life and property and rebuilding and maintaining infrastructure are necessary for the country to attract foreign investment.

**SUMMARY**

If globalization and integration of are understood as the integration of national economic and the elimination of boarders, this corresponds with a natural tendency in human beings, as the social beings we are. In this regard, a correct vision of globalization as a March towards great integration, should emphasise the complementarity of economics, balancing the weakness and strengths of different countries and regions. This in turn, would lead to a more equitable world not denying a health measure of competition. But is this what is happening under the current globalization process?

Since globalization or deregulation as it were involves competition between highly unequal forces due to disparate levels of economic and technological development, and financial power, it is much more about the control of some economies over other. The result, until now, has been the expansion and deepening of poverty, thus widening the gap between the rich and poor.

In spite of claims about the virtues of the free trade, the form of globalization being presently advanced is based on an administered market. While some efforts are aimed at promoting the elimination of trade barriers, a myriad of other measures are devised to severely restrict some form of trade for instance, exports of agricultural products from developing countries like Nigeria.

Paradoxically, while globalization generally promotes the elimination of obstacle to the free movement of merchandise and capital, new walls are being created to prevent the free movement of labour in search of employment and better living conditions. This leads to inequalities exacerbated by the effects of globalization this, immigration is an issue where developing countries must press to get their views takes into accounts so that it can be tackled with a spirit of shared responsibility by rich and poor nations alike.

The effect of current globalization-related policies is dramatic. Four decades ago, the 20 richest capital basis, than the 20 poorest. This gap has now doubled. On the other hand, while some countries in Asia and Latin trade growth, African exports have actually declined over past decades. Significantly, this can not even be explained by a lack of integration in world trade—many countries have simply suffered due to the structure of their economies, and particularly, their reliance upon primary commodities, whose prices have fallen.

Thus, it has become increasingly clear that vital development objectives are served by the present process of either globalization or deregulation as it were. The failure of the settle summit to launch the “Millennium Round” in November 1999 signaled the intensification of the debate on the merits of globalization. Therefore, we should ask ourselves whether globalization must proceed in the terms it has been pursued until now.

There is a growing concern that globalization also creates economic and social dislocations that are largely ignored by trade protagonists. In deed, the encouragement of privatization, deregulation, lower trade barriers and soon is far from proving to be the best way forward for developing countries such as Nigeria.

It has been suggested for example, that the success of the East Asia tiger economics was supported by largely projectionist policies. At any rate, the subsequent deregulation of financial systems made them far more vulnerable to financial crises— the painful consequences of which we witnessed at the end of the 1990s, the observed increase in financial volatility, through for example,
speculation capital flows, iks suggested by some to have in fact, reduced economic growth in some world regions, through the resultant uncertainties.

CONCLUSION

Globalization and deregulation trends have broadened and deepened the breach between the rich and the poor between highly industrialized countries and developing countries, especially the least developed one’s consequently, large numbers of people are finding themselves uprooted and pushed aside by the forces of this process, often hindered in their search for jobs and better living conditions. The motto appears to be Yes to merchandise, no to human being! The right answer is not held either by those totally opposed to world economic integration—which is the natural result of the evolution of human beings on by those who defend the process in its present form. The facts are demonstrating that it is necessary to reassess the matter with a holistic approach. This new vision must lead us to a new conception of the institutions that act as promotes or referer of this process, such as the international monetary fund, the World Bank and the World Trade Organization. These realities also involve the oil market, and OPEC, an organization of developing nations.

REFERENCES


