

RE-IMF / CENTRAL BANK OF NIGERIA DEBATE ON DEVALUATION OF THE NAIRA

We republish below an article written in 2002 by Mallam Sanusi Lamido Sanusi, Governor, Central Bank of Nigeria, first published in the Daily Trust Newspaper of 22nd July, 2002.

The issues discussed in the article regarding the devaluation of the Naira then, are still relevant to the current debate on the devaluation of the Naira as recently recommended by the IMF.

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BUHARISM: Economic Theory and Political Economy

I have followed with more than a little interest the many contributions of commentators on the surprising decision of General Muhammadu Buhari to jump into the murky waters of Nigerian politics. Most of the regular writers in the Trust stable have had something to say on this. The political adviser to a late general has transferred his services to a living one. My dear friend and prolific veterinary doctor, who like me is allegedly an ideologue of Fulani supremacy, has taken a leading emir to the cleaners based on information of suspect authenticity. Another friend has contributed an articulate piece, which for those in the know gives a bird's eye view into the thinking within the IBB camp. A young northern Turk has made several interventions and given novel expressions to what I call the PTF connection. Some readers and writers alike have done Buhari incalculable damage by viewing his politics through the narrow prism of ethnicity and religion, risking the alienation of whole sections of the Nigerian polity without whose votes their candidate cannot succeed.

With one or two notable exceptions, the various positions for or against Buhari have focused on his personality and continued to reveal a certain aversion or disdain for deeper and more thorough analysis of his regime. The reality, as noted by Tolstoy, is that too often history is erroneously reduced to single individuals. By losing sight of the multiplicity of individuals, events, actions and inactions (deliberate or otherwise) that combine to produce a set of historical circumstances, the historian is able to create a

mythical figure and turn him into an everlasting hero (like Lincoln) or a villain (like Hitler). The same is true of Buhari. There seems to be a dangerous trend of competition between two opposing camps aimed at glorifying him beyond his wildest dreams or demonizing him beyond all justifiable limits, through a selective reading of history and opportunistic attribution and misattribution of responsibility.

The discourse has been thus impoverished through personalization and we are no closer at the end of it than at the beginning to a divination of the exact locus or nexus of his administration in the flow of Nigerian history. This is what I seek to achieve in this intervention through an exposition of the theoretical underpinnings of the economic policy of Buharism and the necessary correlation between the economic decisions made and the concomitant legal and political superstructure.

Taxonomy

Let me begin by stating up front the principal thesis that I will propound. Within the schema of discourses on Nigerian history, the most accurate problematization of the Buhari government is one that views it strictly as a regime founded on the ideology of Bourgeois Nationalism. In this sense it was a true off-shoot of the regime of Murtala Mohammed. Buharism was a stage the logical outcome of whose machinations would have been a transcendence of what Marx called the stage of Primitive Accumulation in his Theories of Surplus Value. It was radical, not in the sense of being socialist or left wing, but in the sense of being a progressive move away from a political economy dominated by a parasitic and subservient elite to one in which a nationalist and productive class gains ascendancy. Buharism represented a two-way struggle: with Global capitalism (externally) and with its parasitic and unpatriotic agents and spokespersons (internally).

The struggle against global capital as represented by the unholy trinity of the IMF, the World Bank and multilateral "trade" organizations as well that against the entrenched domestic class of contractors, commission agents and corrupt public officers were vicious and thus required extreme measures. Draconian policies were a necessary component of this struggle for transformation and this has been the case with all such epochs in history. The Meiji restoration in Japan was not conducted in a liberal environment.

The Industrial Revolution in Europe and the great economic progress of the empires were not attained in the same liberal atmosphere of the 21st Century. The "tiger economies" of Asia such as Taiwan, South Korea, Indonesia and Thailand are not exactly models of democratic freedom. To this extent Buharism was a despotic regime but its despotism was historically determined, necessitated by the historical task of dismantling the structures of dependency and launching the nation on to a path beyond primitive accumulation. At his best Buhari may have been a Bonaparte or a Bismarck. At his worst he may have been a Hitler or a Mussolini. In either case Buharism drawn to its logical conclusion would have provided the bedrock for a new society and its overthrow marked a relapse, a step backward into that era from which we sought escape and in which, sadly for all of us we remain embedded and enslaved. I will now proceed with an elaboration of Buharism as a manifestation of bourgeois economics and political economy.

The Economic Theory of Buharism

One of the greatest myths spun around Buharism was that it lacked a sound basis in economic theory. As evidence of this, the regime that succeeded Buhari employed the services of economic "gurus" of "international standard" as the architects of fiscal and monetary policy. These were IMF and World Bank economists like Dr. Chu Okongwu and Dr Kalu Idika Kalu, as well as Mr SAP himself, Chief Olu Falae (an economist trained at Yale). At the time Buhari's Finance Minister, Dr Onaolapo Soleyeye (who was not a trained economist) was debating with the pro-IMF lobby and explaining why the naira would not be devalued I was teaching economics at the Ahmadu Bello University. I had no doubt in my mind that the position of Buharism was based on a sound understanding of neo-classical economics and that those who were pushing for devaluation either did not understand their subject or were acting deliberately as agents of international capital in its rampage against all barriers set up by sovereign states to protect the integrity of the domestic economy. I still believe some of the key economic policy experts of the IBB administration were economic saboteurs who should be tried for treason.

When the IMF recently owned up to "mistakes" in its policy prescriptions all patriotic economists saw it for what it was: A hypocritical statement of remorse after attaining set objectives. Let me explain, briefly, the economic theory underlying Buhari's refusal to devalue the naira and then show how

the policy merely served the interest of global capitalism and its domestic agents. This will be the principal building block of our taxonomy.

In brief, neo-classical theory holds that a country can, under certain conditions, expect to improve its Balance of Payments through devaluation of its currency. The IMF believed that given the pressure on the country's foreign reserves and its adverse balance of payments situation Nigeria must devalue its currency. Buharism held otherwise and insisted that the conditions for improving Balance of Payments through devaluation did not exist and that there were alternate and superior approaches to the problem.

Let me explain.

The first condition that must exist is that the price of every country's export is denominated in its currency. If Nigeria's exports are priced in naira and its imports from the US in dollars then, *ceteris paribus*, a devaluation of the naira makes imports dearer to Nigerians and makes Nigerian goods cheaper to Americans. This would then lead to an increase in the quantum of exports to the US and a reduction in the quantum of imports from there per unit of time. But while this is a necessary condition, it is not a sufficient one. For a positive change in the balance of payments the increase in the quantum of exports must be substantial enough to outweigh the revenue lost through a reduction in price. In other words the quantity exported must increase at a rate faster than the rate of decrease in its price. Similarly imports must fall faster than their price is increasing. Otherwise the nation may be devoting more of its wealth to importing less and receiving less of the wealth of foreigners for exporting more! In consequence, devaluation by a country whose exports and imports are not price elastic leads to the continued impoverishment of the nation vis a vis its trading partners. The second, and sufficient, condition is therefore that the combined price elasticity of demand for exports and imports must exceed unity.

The argument of Buharism, for which it was castigated by global capital and its domestic agents, was that these conditions did not exist clearly enough for Nigeria to take the gamble. First our major export, oil, was priced in dollars and the volume exported was determined *ab initio* by the quota set by OPEC, a cartel to which we belonged. Neither the price nor the volume of our exports would be affected by a devaluation of the naira. As for imports, indeed they would become dearer. However the manufacturing base depended on imported raw materials. Also many essential food items were imported. The demand for imports was therefore inelastic. We would end up

spending more of our national income to import less, in the process fuelling inflation, creating excess capacity and unemployment, wiping out the production base of the real sector and causing hardship to the consumer through the erosion of real disposable incomes. Given the structural dislocations in income distribution in Nigeria the only groups who would benefit from devaluation were the rich parasites who had enough liquidity to continue with their conspicuous consumption, the large multi-national corporations with an unlimited access to loanable funds and the foreign "investor" who can now purchase our grossly cheapened and undervalued domestic assets.

In one stroke we would wipe out the middle class, destroy indigenous manufacturing, undervalue the national wealth and create inflation and unemployment. This is standard economic theory and it is exactly what happened to Nigeria after it went through the hands of our IMF economists under IBB. The decision not to devalue set Buharism on a collision course with those who wanted devaluation and would profit from it-namely global capitalism, the so-called "captains of industry" (an acronym for the errand boys of multinational corporations), the nouveaux-riches parasites who had naira and dollars waiting to be spent, the rump elements of feudalism and so on. Buharism therefore was a crisis in the dominant class, a fracturing of its members into a patriotic, nationalist group and a dependent, parasitic and corrupt one. It was not a struggle between classes but within the same class. A victory for Buharism would be a victory for the more progressive elements of the national bourgeoisie. Unfortunately the fifth columnists within the military establishment were allied to the backward and retrogressive elements and succeeded in defeating Buharism before it took firm root. But I digress.

Having decided not to devalue or to rush into privatization and liberalization Buharism still faced an economic crisis it must address. There was pressure on foreign reserves, mounting foreign debt and a Balance of Payments crisis.

Clearly the demand for foreign exchange outstripped its supply. The government therefore adopted demand management measures. The basic principle was that we did not really need all that we imported and if we could ensure that our scarce foreign exchange was only allocated to what we really needed we would be able to pay our debts and lay the foundations for economic stability. But this line of action also has its drawbacks.

First, there are political costs to be borne in terms of opposition from those who feel unfairly excluded from the allocation process and who do not share the government's sense of priorities. Muslims for example cursed Buhari's government for restricting the number of pilgrims in order to conserve foreign exchange.

Second, in all attempts to manage demand through quotas and quantitative restrictions there is room for abuse because there is always the incentive of a premium to be earned through circumvention of due process. Import licenses become "hot cake" and the black market for foreign exchange highly lucrative. This policy can only succeed if backed by strong deterrent laws and strict and enforceable exchange rules. Again it is trite micro-economic theory that where price is fixed below equilibrium the market is only cleared through quotas and the potential exists for round tripping as there will be a minority willing and able to offer a very high price for the "artificially scarce" product. So again we see that the harsh exchange control and economic sabotage laws of Buharism were a necessary and logical fallout of its economic theory.

Conclusion

I have tried to show in this intervention what I consider to be the principal building blocks of the military government of Muhammadu Buhari and the logical connection between its ideology, its economic theory and the legal and political superstructure that characterized it. My objective is to raise the intellectual profile of discourse beyond its present focus on personalities by letting readers see the intricate links between disparate and seemingly unrelated aspects of that government, thus contextualizing the actions of Buharism in its specific historical and ideological milieu. I have tried to review its treatment of politicians as part of a general struggle against primitive accumulation and its harsh laws on exchange and economic crimes as a necessary fallout of economic policy options. Similarly its treatment of drug pushers reflected the patriotic zeal of a bourgeois nationalist establishment.

As happens in all such cases a number of innocent people become victims of draconian laws, such as a few honest leaders like Shehu Shagari and

Balarabe Musa who were improperly detained. The reality however is that many of those claiming to be victims today were looters who deserved to go to jail but who would like to hide under the cover of a few glaring errors. The failure of key members of the Buhari administration to tender public and unreserved apology to those who may have been improperly detained has not helped matters in this regard.

This raises a question I have often been asked. Do I support Buhari's decision to contest for the presidency of Nigeria? My answer is no. And I will explain.

First, I believe Buhari played a creditable role in a particular historical epoch but like Tolstoy and Marx I do not believe he can re-enact that role at will. Men do not make history exactly as they please but, as Marx wrote in the 18th Brumaire, "in circumstances directly encountered, given and transmitted from the past." Muhammadu Buhari as a military general had more room for manoeuvre than he can ever hope for in Nigerian Politics.

Second, I am convinced that the situation of Nigeria and its elite today is worse than it was in 1983. Compared to the politicians who populate the PDP, ANPP and AD today, second republic politicians were angels. Buhari waged a battle against second republic politicians, but he is joining this generation. Anyone who rides a tiger ends up in its belly and one man cannot change the system from within. A number of those Buhari jailed for theft later became ministers and many of those who hold key offices in all tiers of government and the legislature were made by the very system he sought to destroy. My view is that Nigeria needs people like Buhari in politics but not to contest elections. Buhari should be in politics to develop Civil Society and strengthen the conscience of the nation. He should try to develop many Buharis who will continue to challenge the elements that have hijacked the nation.

Third, I do not think Nigerians today are ready for Buhari. Everywhere you turn you see thieves who have amassed wealth in the last four years, be they legislators, Local Government chairmen and councilors, or governors and ministers. But these are the heroes in their societies. They are the

religious leaders and ethnic champions and Nigerians, especially northerners, will castigate and discredit anyone who challenges them. Unless we start by educating our people and changing their value system, people like Buhari will remain the victims of their own love for Nigeria.

Fourth, and on a lighter note, I am opposed to recycled material. In a nation of 120million people we can do better than restrict our leadership to a small group. I think Buhari, Babangida and yes Obasanjo should simply allow others try their hand instead of believing they have the monopoly of wisdom.

Having said all this let me conclude by saying that if Buhari gets a nomination he will have my vote (for what it is worth). I will vote for him not, like some have averred, because he is a northerner and a Muslim or because I think his candidacy is good for the north and Islam; I will vote for him not because I think he will make a good democrat or that he was not a dictator. I will vote for Buhari as a Nigerian for a leader who restored my pride and dignity and my belief in the motherland. I will vote for the man who made it undesirable for the "Andrews" to "check out" instead of staying to change Nigeria. I will vote for Buhari to say thank you for the world view of Buharism, a truly nationalist ideology for all Nigerians. I do not know if Buhari is still a nationalist or a closet bigot and fanatic, or if he was the spirit and not just the face of Buharism. My vote for him is not based on a divination of what he is or may be, but a celebration of what his government was and what it gave to the nation.

By Sanusi Lamido Sanusi

[LAGOS]
July 22,2002