

Review: Effect of Globalization on the Political Economy of Nigeria

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ABSTRACT: The study is the review of the effect of globalization on political economy of Nigeria. It tried to review the concepts of globalization by different authors, statement of problems. It further looked at political economy as a whole. The study highlighted the benefits of globalization to the Nigerian economy. It also reviewed the theory of mercantilism which was adopted by the study. The study therefore concluded thus: The Nigerian government is in the position to benefit from the experience of other nations by following their examples within the confine of globalization for the development of her economy. Our leaders should be proactive in the formulation of policies that will embrace total participation. There is need for us (Nigerians) to protect our common heritage resources and services like water, land, air, forest etc. from co modification and wanton privatization. Therefore, there is the need for the nation's new democracy to go beyond party politics, and the need to include civil society grassroots initiatives, and local ownership should be encouraged.

I. Introduction:

The term 'globalization' refers to the increasing integration among nations arising from the interchange of world views, products, ideas and other aspects of culture. Advances in transportation and telecommunications infrastructure, including the rise of the telegraph and its development the Internet, are major factors in globalization, generating further interdependence of economic and cultural activities (umana 2018).

According to Albrow, Martin and King (1990), globalization is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. Todaro and Smith (2011), views globalization as a process by which the economies of the world become more integrated, leading to a global economy and increasingly, global economic policymaking.

The researcher therefore want to infer that globalization is the harnessing of ideas, culture, and people from the wider world that will look like a small global village where the differences in culture, economy, politics, social will have little or no effect.

The term 'political economy' is used advisedly for it has been used to describe a number of different things in political science and international relations; from the application of rational individualism to the study of politics, to debates over policy with an economic dimension. In this study, the term is used to describe the changing relationship between political systems (both national and international) and economic forces (Gourevitch, 1993:716). In other words, the study is concerned with how policy-makers are being affected by economic forces, as well as how they themselves affect these forces. Following in the classical tradition of political economy, the study also address the moral debates about globalization, starting with the question *'cui bono?'* (in whose interest? or who benefits?), and touching upon the possible ramifications for opportunity and inequality among a wide range of actors in a globalizing world (Hurrell and Woods, 1999).

II. Statement of the Problem

However, Adesoye, Ajike and Maku (2015), have argued forcefully that many highly globalized developing countries have not been able to profit from globalization and are still facing the same problems they have been facing for many decades. For instance, Nigeria had embraced globalization since the 1980s with the expectation that enhanced free trade, competitiveness, financial integration, foreign investment and technological advancement would ensure the achievement of rapid growth of the economy. Contrary to expectation, the growth pattern of the economy since the 1980s has been very disappointing with poverty incidence escalating.

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According to the World Bank (2002) report, about 65 percent of the Nigerian population lives below the poverty line, with Nigeria being ranked among the poorest countries of the world, despite its vast economic potentials as well as its attendant natural resources.

It is against this background that this paper examines the effect of globalization on economic growth in Nigeria. Specifically, the paper examines the impact of trade openness, financial integration and foreign direct investment on economic growth in Nigeria.

III. LITERATURE REVIEW

Conceptual frame work

Globalization involves the diffusion of ideas, practices and technologies. It is something more than internationalization and universalization. It isn't simply modernization or westernization. It is certainly isn't just the liberalization of markets. Anthony Giddens (1990: 64) has described globalization as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'. This involves a change in the way we understand geography and experience localness. As well as offering opportunity it brings with considerable risks linked, for example, technological change.

What is generally called globalization involved the extension of distinct relations of ideological, economic, military, and political power across the world. Concretely, in the period after 1945 this means the diffusion of ideologies like liberalism and socialism, the spread of the capitalist mode of production, the extension of military striking ranges, and the extension of nation-states across the world, at first with two empires and then with just one surviving. (Mann 2013: 11)

World Bank defines "Globalization as a 'Freedom and ability of Individual and firms to initiate voluntarily economic transactions with residents of other countries.'" Cited by Milanovic (2002), the organ of economic cooperation and development defined, economic globalization as 'Process in which the structures of economic markets, technologies and communication patterns becomes progressively more 'International over time.'

Political Economy

Political economy is a comprehensive interdisciplinary framework that is based on Marxist social theory. It involves not only the interrelationship between economics and politics but also the interconnections between the various levels of social interaction, from the local through the national to the global. Questioning the pretensions of organized power requires two steps. It involves developing a critical attitude toward organized forms of power such as the economy or the state (Sumner, 2008).

From a political economy perspective, corporate globalization involves "a set of structures and processes that build the private wealth of a very few people" (Sumner, 2005:126). Kwanashie (1998: 34) shares this view and asserts specifically that globalization is a process of creating global market place in which all nations are increasingly forced to participate. The key elements of this process include the interconnection of sovereign nations through trade and capital flows; harmonization of the economic rules that govern relationship between the sovereign nations, and the creation of structures to support and facilitate dependence as well as the creation of a global marketplace. The process is accelerated by such openings, which the advancements in information technology have provided.

The OECD definition says that, Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.(OECD/DAC , Collinson and ODI,2003) This definition draws particular attention to politics, understood in terms of contestation and bargaining between interest groups with competing claims over rights and resources. However, it is equally concerned with the economic processes that generate wealth, and that influence how political choices are made.

The political economy of Nigeria even becomes more complex when one considers the heterogeneous and the multi-various nature of Nigerian societies. In fact, the inherent diversity in Nigerian federalism introduced a dangerous dimension to the contest of power. Thus, unlike classical Marxist political economy, the "political" takes a pre-eminence position in Nigerian political economy. Hence, Ake's (1996) assertion that 'politics under-develops Nigeria" having viewed the high value placed on political power and obsessive preoccupation with politics which has impeded our economic progress.

Nigeria supports the economic openness that globalization preaches and bears its burdens. But the authority of the Nigerian state in economic management has to be strengthened as a bulwark against the notion that entirely unfettered markets are indispensable for development to occur. Such an ideological conceit if not questioned could weaken efforts at domesticating globalization for economic development in the country. The East Asian "tigers" have

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not followed blindly the prescriptions of the Washington consensus since their governments play important economic roles than the Western nostrums advise (Stiglitz, 2000).

The Effect of Globalization on Nigeria's Economic Development

Umana (2018) itemized some of the effects of globalization on the Economic Development of Nigeria to include:

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- 1. Economic Stagnation: - The experience of post-independent Africa generally demonstrates quite clearly that like other developing countries, it is not catching up with the advanced economies. As long as Nigeria continues to open up her economy in competition with all the other advanced countries in the 'global market' economic stagnation will be experienced. This situation will continue to worsen because of Nigeria's weak economic capacity.
The determination of petroleum prices by market forces had done Nigeria more harm than good, besides it is absurd to deregulate (as cited by globalization) a scarce commodity. This has made the independent marketers constitute a cartel that dictates terms in market. And like the government, the marketers had created artificial scarcity periodically to influence prices. The Nigeria economy is weak and dependent. The issue of deregulation and market forces has much to do with efficiency. It is vital to be handled by the private enterprise.
On the sustainable industrial agriculture, globalization is reducing the incomes of the third world country like Nigeria through a combination of devaluation of currencies, increase in cost of production and a collapse in commodity prices.
- 2. In the area of trade, the share of primary commodities in the world exports of items such as food and raw materials have declined relatively in recent time for the developing countries such as Nigeria. Importing foreign goods, without having its own demanded and purchased by other countries in reciprocal manner, leaves the country at a disadvantage.
- 3. Adoption of liberalization in trade and investment as a way of integrating into the global economy is another effect of globalization on the Nigeria's economy. This situation opens the country's economy to competition with other stronger economies in the world. As a result, it increases the exploitative tendencies of the stronger countries.
- 4. Hardship on the Majority of the Population: - With regard to withdrawal of subsidies in the economy and drastic reduction of social service spending, hardship has come over the majority of the population who are workers, peasant farmers, market woman, students etc. such measure on the part of government has brought about a sharp increase in the prices of electricity, water, transport services, health services etc. by extension, it also generates massive unemployment and a drastic fall in real wages.
- 5. Insecurity: - The effect of globalization with regards to security as in the case of Boko Haram brings about uncertainty and fear. Industries and professionals are unable to function properly. Nigeria as a developing country has not evolved a mechanism that can absorb the shocks generated by the effects of globalization.
- 6. Urban-rural Migration: - Regarding the increase in the number of workers who migrate to the developed countries in search of better paid job opportunities, and as a result many, in the Third World blame the poor home economic situation on adverse effects of brain-drain incidence in developing countries.

IV. Theoretical Framework

In the mercantilist period, in which 'Montcheretein De Watteville' was writing and which lasted until Adam Smith's formal establishment of political economy in the nineteenth century, the term political economy was not much used, Mercantilism, however, was a system par excellence. Mercantilism is best described as, the striving after political power through economic means. In the seventeenth and eighteenth century, the emergence of strong national states, each competing with the other, formed the backdrop of mercantilist policies designed to foster economic growth and so raise revenue, if necessary for the waging war. (Hoogvelt and Ankie, 2001, pp.3-4).

Mercantilism was a doctrine of political economy that governed the actions of many states until the liberal revolution in Britain in the nineteenth century. The European states strove to establish overseas empires that would be as self sufficient as possible. Trade between neighboring colonies of rival empires was discouraged.(Ibid). Two important advocates of mercantilist theory were Alexander Hamilton.(G.T.Crane and A. Amavi, OUP) Alexander Hamilton was a founding father of the United States. Writing in the 1970s he urged the Americans to protect their manufacturers from foreign competition, so that they could grow into an industrial power. Almost hundred years later, Frederick List argued that, Germany should industrialize behind trade barriers, so that it could catch up to the economic might of Great Britain. He believed that, only the economically strong advocated free-trade policies because, others

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would lose out in the ensuing competition. (Robert and Williams, 2004). The economic system is considered to operate as subordinate to the political system. (Krasne 1976).

V. Empirical Review

Omolade, Morakinyo and Ifeacho (2013) investigated the nexus between globalization and economic development of Nigeria over the period 1980 – 2011. The study employed Johansen cointegration and Granger causality tests and revealed that trade openness relates negatively with economic development in Nigeria. The study further revealed that a unidirectional causality flows from economic development to globalization without such in reversed order and that trade partners appear to be gaining more than the country especially the developed trade partners.

Nwakanma and Ibe (2014) examined the causal relationship between globalization and economic growth in Nigeria from 1981 to 2012. In carrying out the study, Johansen cointegration and Granger causality tests were employed. The results show that there is a positive and insignificant relationship between financial integration, human resource development and trade openness, while gross fixed capital formation was negative and insignificant. The results further revealed that a unidirectional causality runs from financial integration to gross fixed capital formation.

Okpokpo, Ifelunini and Osuyali (2014) through their study interrogated globalization as a potent driver of economic growth in Nigeria using the non-oil (agricultural and manufacturing) export as reference point from 1970 – 2011. The study employed the ADF unit root test and OLS technique and found that globalization has no significant impact on non-oil export and that globalization has not been a potent driver of growth of the non-oil export in Nigeria.

Shuaib, Ekeria and Ogedengbe (2015) examined the impact of globalization on the growth of the Nigerian economy over the period 1960 – 2010. The study employed the Johansen cointegration and error correction model and found that growth of external debt ratio was inversely related to economic growth in Nigeria.

Conclusion

The Nigerian government is in the position to benefit from the experience of other nations by following their examples within the confine of globalization for the development of her economy. Our leaders should be proactive in the formulation of policies that will embrace total participation.

There is the need for us to protect our common heritage resources and services like water, land, air, forest etc. from co modification and wanton privatization;

There is the need for the nation's new democracy to go beyond party politics, there is need to include civil society grassroots initiatives. There is the need for local ownership and control of resources in Nigeria.

There is the need to foster ecological sustainability. This implies that while the exploitation of natural resources for present generation is going on, ecologies must not be damaged. Therefore, environment and resources must be preserved for future generation.

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