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The Political Economy of Nigeria's Infrastructural Development

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Abstract

In most countries of the world, the development of social and economic infrastructure often runs the course of political and economic factors amongst others. Nigeria cannot be an exemption. This study examined the extent to which some political and economic factors have influenced the course of infrastructural development in Nigeria. Data was obtained from secondary sources such as books, journals, periodicals, magazines, newspapers, the internet, etc. The Classical Theory of Political Economy by Buffet (2011) was adopted as its theoretical framework and content analysis constituted the analytic mode. Results revealed that against the run of economic rationality, political, more than any other factors influence the course of infrastructural development in Nigeria. The study therefore, recommended that government should learn to favor economic factors for purposes of viability in the case of economic infrastructure more than the political.

Keywords*: Political economy, Infrastructural development, Viability, Social infrastructure and Economic infrastructures*

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Background to the Study

Given the large-scale involvement of government in infrastructural investments, Canning (1998), believes that, "the patterns in infrastructure stocks may be explained better by political economy rather than by economic efficiency". Such infrastructure investments often provide services which constitute part of the consumption bundle of residents and serve as input into production. Infrastructures may be usefully classified as public capital goods which include highways and roads, mass transit and airport facilities, education, building, electricity, gas and water supplies facilities and distribution systems, waste treatment facilities, correctional institutions, police, fire and the judiciary. Only a few elements of infrastructures possess the features of public good (non-rivalry and non-exclusionary). Others are private and club goods. Power and water supplies are good examples. Roads present a mixed case of public or club goods. Public services provided by core infrastructures may enter directly into individual private sector production functions or into an aggregate production function. On the other hand, "activities that maintain property rights-police services, courts and national defense, may be viewed as affecting the probability that people retain the rights to their goods and thereby have an incentive to accumulate capital and produce" (Barro and Sala-I-Martin, 1995).

In general, infrastructure is defined as electricity, gas, telecoms, transport and water supply, sanitation and sewerage. That these facilities matter for growth to take place is a fact that is now relatively well recognized and widely understood among practitioners and policy makers. There is, indeed, a plethora of anecdotal and more technical evidence that better quantity and quality of infrastructure can directly raise the productivity of human and physical capital and hence, growth. For instance, the provision of access roads can, improve education and markets for farmers' outputs and others by cutting costs; facilitate private investment, improve jobs and income levels for many. The implication is that the level of infrastructural development is synonymous with growth and development of any society. Thus, infrastructure is indispensable for the attainment of the main development targets in developing countries such as urbanization, industrialization, export promotion, equitable income distribution, and sustainable economic development. Hence, the World Bank (1994), emphasized that, "there is a close relationship between infrastructure and economic growth"

The significance of infrastructural development in the overall development of any society needs not be over-emphasized. This is why it often poses a major challenge to any administration as most of the activities of various sectors of the economy revolve around some critical infrastructure. "Infrastructural development in democratic governance involves various activities" (Oyedele, 2012). These range from decision-making on the right project, its location, design, the feasibility and viability studies as well as implementing the physical development of the project.

As a country, Nigeria has been experiencing problems with public infrastructure, both in terms of development and maintenance. Governments have had problems with non-functional critical infrastructure especially in the areas of road, railway, power

generation and supply provision of portable water etc. While it is true that it is the responsibility of government in developing countries to provide the critical infrastructure needed by various sectors of the economy, the reality remains that the resources needed to meet this responsibility are either not available or grossly inadequate. There are also other issues which bother on political considerations and forces which play into the decisions on the location and development of public infrastructures.

Statement of the Research Problem

Going by the above account, it is evident that several factors influence the development of infrastructures in a developing country such as Nigeria. Clearly, these factors can be categorized either as economic or political. The extent to which these economic or political factors influence infrastructural development in Nigeria is the matter of concern in this study. Hence, the current study seeks to evaluate the extent to which the infrastructural development in Nigeria is determined by the interplay of economic and political forces.

Objectives of the Study

The broad objective of this study is to evaluate the political economy of Nigeria's infrastructural development. The specific objectives include:

1. To examine the extent to which economic factors influence the development of infrastructure in Nigeria.
2. To ascertain how much infrastructural development of Nigeria is affected by political factors.

Research Questions

In this study answers will be provided to the following questions;

1. To what extent do economic factors influence Nigeria's infrastructural development?
2. Do Political factors determine the infrastructural development in Nigeria?

Conceptual Clarification

Infrastructures: In the field of economics, Tinbergen (1962), introduced the distinction between infrastructure (for example, roads and education) and superstructure (comprising manufacturing, agricultural and mining activities). Nijakamp (2000) views infrastructure as, "Material public capital (roads, railways, airports pipelines etc) and superstructure meaning immaterial public capital (knowledge, networks, communication, education, culture, etc.), again without specifying the proposed terms in surficial detail. For Jochimsen (1966),

> Infrastructure is defined as the sum of material, institutional and personal facilities and data which are available to the economic agents and which contribute to realizing the equalization of the remunerate of comparable inputs in the case of a suitable allocation of resources, that is complete integration and maximum level of economic activities.

Economic factors: According to Business Dictionary (n.d) "these are factors that help determine the competitiveness of the environment in which the firm operates". They include "unemployment level, inflation rate, fiscal policies and government changes" (Investor Words)

> These factors determine an enterprises' volume of demand for its product and affect its marketing strategies and activities. The economic system is made up of three main steps. The first one being production and then there is distribution of the provided goods and then the last step is consumption of the same. Now, all this is possible because of two factors-Human resource and Natural resource (Connexionsn.d)

Political factor: This may be viewed as an activity related to government policy and its administration practices that can have an effect on something. Most business operators will keep a watchful eye on any political factor, such as new legislation or regulatory shifts which could have a substantial impact on how their company operates and its bottom line. Ever since Aristotle advanced the thesis that human beings are by nature political animals, there has been a tendency to fold the social into the political. "People are social in nature, they cooperate and have shared meanings and purposes, and not that the essence of their being is state-related or mitigated" (Aristotle, 1984).

Political economy: This term addresses the issue and questions related to, how does politics influence or affect economic outcomes? The terminology in large part reflected the belief that economics was not really separable from politics. This, from Adam Smith's wealth of Nations in 1776 (or perhaps the physiocrats even earlier) until at least John Stuart Mill's principles of political Economy in 1848, what we now call 'economics' was in fact generally referred to as "political economy". According to Groenewegen (1987), the term 'political economy' for economics originated in France in the 17th century. He attributes the first use to Montchretien in 1615. Sir James Steurt (1761) was the first English economist to put the term in the title of a book on economics, An Inquiry in to the Principle of Political Economy.

Kabiru(2016), conducted a study on "Socioeconomic Infrastructure and National development: An Analytical Assessment from Nigerian Perspective". The whole scope covered energy, transport, health care services, and education, examined the challenges which infrastructure poses to national development in Nigeria. The analysis revealed that the provision of infrastructure was far below what is required for the country to attain the desired national development in Nigeria. the data was sourced from secondary materials and based on its findings it recommended that basic infrastructural facilities like energy healthcare and schools, should be provided in order to attain national development.

Olufemi, Olatunbosun, Olasode and Adeniran (2013), examined infrastructural development and its effect of economic growth: The Nigerian perspective. The paper noted that despite her economic growth over the years, such growth has not translated to

economic development due to lack of infrastructure, high poverty rate, unemployment etc. It adopted the methodology simple model of an economy with foreign investment and public infrastructure with a diversified equilibrium where the investment and public infrastructure, foreign investment, welfare and private goods, public infrastructure, welfare and complete specialization. The paper went further to advice the nation on measures to accelerate economic development as economic growth alone is not enough.

Theoretical Framework

Classic theory of political economy (Buffet, 2011) was adopted as the theoretical framework of this study. The political economy of media is based on the premise that media is powerful, that they are both able to influence public opinion and shape public discourse. Thus, it is crucial to focus on the production of media content within a wider political and economic context.

> It is this focus on materiality and the political, economic and technological conditions in which media content is being produced that distinguishes the political economy of media from other academic fields such as the more affirmative strands within cultural studies and audience studies, which generally, locate power and control to with media institutions but with an active audience as the true producer of meaning (Andrejevic; 2008).

The political economy of media is as much social analysis as media and communication analysis. This field is mainly concerned with the following issues; firstly, with an understanding of the media market. How do media companies produce income and generate profits? Secondly, with an inspection of questions of ownership of media organization (public, commercial and private non-profit organizations) and an analysis of the implications of ownership structures with respect to media products (obviously, this is especially relevant for the production of news). Thirdly the field is concerned with changing dynamics of media sector, in particular with developments such as internationalization of media business, concentration and conglomeration of media organizations and diversification of media products. This leads into debates on cultural imperialism and media regulation, media policy and media governance, originally on a national level but increasingly with a global perspective. It is important to note that these areas of inquiry are closely connected in fact they overlap considerably.

Research Methodology

In this descriptive analysis, the researcher employs the tool of content analysis to synthesize data obtained from secondary sources in the following sequence-

Research Question One (1): To what extent do economic factors determine infrastructural development in Nigeria?

According to Adeyinka (2004) in Gbadebo (2004) "factors affecting infrastructural development in Nigeria can be political, economic, social, technological, legal, environmental, and safety". This assertion is buttressed in the empirical study by

Gbadebo and Olalusi, (2004) which examined"critical factors affecting development of infrastructure in Nigeria". The study lists factors affecting the development of infrastructure in Nigeria in the fourth republic to include- political, economic, social, technology, legal, environmental. On the relationship/effect of economic factors on infrastructural development in Nigeria, the following variables were considered in this study.

Interest Rate: In Nigeria, the interest rate policy is perhaps one of the most controversial of all financial policies. This is due to the fact that interest rate policy has direct link with many other macroeconomic variables most especially, investment decision. According to IMF (1997) 'interest rate policy in Nigeria lacked consistency during the structural adjustment program (SAP) as periods of liberalizations were intertwined with impositions of some credit controls". The business environment in general was so risky and uncertain that firms were unable to service debts. Apart from that, the judicial system was reportedly inefficient and banks could not easily enforce contracts; consequently, banks charged and still charge high interest rates and request for high levels of collateral.

> In addition to the above, high interest rates in Nigeria the financial system is a reflection of the extremely poor infrastructural facilities and inefficient institutional framework necessary to bring about substantial reduction in the risk associated with financing an extremely traumatized economy (World Bank, 2002).

Thus, the administration of low interest rate which was intended to encourage investment before the SAP era and during the SAPera of 1986, ushered in a dynamic interest rate regime where rates were more influenced by market forces, failed to yield the result of stimulating investment growth in Nigeria including the area of infrastructure. The study by Osundina, J.A and Osundina, C.K (2014) on "Interest rate as a link to investment decision in Nigeria (Mundell-Flemming Model), found that there is no strong empirical evidence that there is a link between interest and investment decision in Nigeria. The paper however, recommended that there should be efficient infrastructure and the clamor for the interest-free Islamic Banking should be embraced since it will not hurt investment decisions in any way.

Inflation: Investment is an indispensable aspect of any economy as it drives the productive sectors of the economy, however, the confidence to invest is eroded in an atmosphere of uncertainty in future prices of goods and services as a result of inflation, it poses economic problem to that economy. The problem posed by inflation on investment affects both the private and public sectors of the economy. It triggers prices of goods and services if not properly managed as well as the zeal for investment; it increases the cost of doing business such as increases in transaction cost, information cost and these inhibit economic growth and investment. Using time series data, Ezenwobi (2017) studied the effect of inflation on investment in Nigeria, 1987-2011. The findings from the study revealed that inflation has a negative and non-significant impact on the core credit to the private sector, foreign exchange for import, non-infrastructural investment and infrastructural investment.

Currency Exchange Rate: proponents of flexible exchange rate emphasized the need for macroeconomic flexibility in the face of real asymmetric shocks while in contrast, poponents of fixed exchange rates have stressed the microeconomic benefits of low transaction cost for international trade (Frankel and Rose, 2002). An oil price increase, all things being equal should be considered positive in oil exporting countries like Nigeria and negative in oil importing countries, while the reverse should be expected when oil price decreases. The challenge, however, of the combined effect of hikes in oil prices and exchange rate instabilities on macroeconomic and economic stability and economic growth for oil producing countries like Nigeria is quite enormous. Huge inflow of oil revenues in Nigeria are more often associated with expansion in the level of government spending while periods of dwindling oil revenues are usually accompanied by deficits. Hence, the study by Oluwatoyin (n.d) titled an Analysis of the effect of oil price shock and exchange rate instability on economic growth in Nigeria, revealed that, "oil price shocks and appreciation in the level of exchange rate, exert positive impact on real economic growth in Nigeria. The study recommends greater diversification of the economy through investment in key productive sectors of the economy to guard against the vicissitude of oil price shock and exchange rate volatility. Infrastructure certainly is a key productive sector of any economy.

Research Question two (2): Do political factors determine infrastructural development in Nigeria?

Among the political factors listed by Gbadebo and Olalasuyi (2014) which affect infrastructural development in Nigeria are:

1. According to Asaju and Akume (2012), "there has been consensus opinion or agreement among scholars, critics, and observers that the major reasons for Nigeria's present predicament is lack of good and purposeful leadership at the helm of affairs in the country". It does not take expertise to identify this problem and most people especially those who share late Professor Chinua Achebe's thinking, that all other problems in Nigeria emanate from this lack of competent and effective leadership. This is to say that Babalola (2010) makes sense in his assertion that "leadership deficit is the root of the paradox of poverty in the midst of plenty" he argues that, "when you see a poor country, look out for the form of governance there, then you will observe leadership challenges". It is also the belief of former President Obasanjo that, "we have so many Nigerians, but not many leaders" (Alechenn, 2013). An empirical support to the above position is found in the study by Asaju, Arome and Mukaila (2014), on leadership crisis in Nigeria and the urgent need for moral education and value re-orientation which highlighted the fact that the leadership challenge in Nigeria has degenerated into a crisis situation which is now a cog in its wheel of development and progress. Hence, the consequent leadership failures become inevitable.
2. The Nigerian political environment is not conducive for infrastructural development. This is because the nation has hardly been stable politically. Policy formulation and politics of the project environment deals with issues like interest

rate, inflation, currency exchange, price fluctuations etc. The nation lacks common strategic targets for infrastructural development. Good governance which the nation lacks is crucial for ensuring the effective and efficient provision of infrastructure.

3. Procurement Method: The procurement methods being adopted are prone to criticisms. The public finance initiatives, especially the concession method and private/public partnership (PPP) are questionable and seem to mortgage others who are not part of the arrangement of the scheme's future.
4. The Shagari administration in the Second Republic was marked by spectacular government corruption as the president did nothing to stop the looting of public funds by elected officials.

> Corruption among political leaders was amplified due to greater availability of funds. It was claimed that over $16billion in oil revenues were lost between 1979 and 1983 during the reign of President ShehuShagari. It became quite common, for federal buildings to mysteriously go up in flames, most especially just before the onset of ordered audits of government accounts, making it impossible to discover written evidence of embezzlement and fraud (Dash, 1983).

Perhaps, no politician symbolized the graft and avarice under Shagari's government more than then Transport Minister- AlhajiUmaruDikko. The corrupt practices have eaten so much into the system that the Obasanjo regime was forced to inaugurate on 29th September 2000, the ICPC. The commission was established to target corruption.

Historically, the origin of corruption in Nigeria predates the colonial era as revealed in a Colonial Government Report (CGR)of 1947, "The African background and outlook on public morality is very different from that of the present day Briton: The African in the public service seeks to further his own financial interest" (Okonkwo, 2007). "Before independence, there have been cases of official misuse of resources for personal enrichment" (Storey, 1953). Public loot by politicians and leadership in Nigeria was the excuse given for the sack of the first Republic Nigerian leadership on 15th January, 1966 on ground of corruption. The editorial of the Daily Times Newspaper of January 16, 1966 argued that:

> With the transfer of authority of the Federal Government to the Armed Forces, we reached a turning point in our national life. The old order has changed, yielding place to a new one...For a long time, instead of settling down to minister to people's needs, the politicians were busy performing series of seven day wonders as if the act of government was some circus show… still we grouped along as citizens watched politicians scorn the base by which they did ascend… (Daily Times, 1966).

The EFCC on the other hand, was established in 2003, partially in response to pressure from the Financial Action Task Force on Money Laundering (FATF), which named Nigeria among twenty-three non-cooperative countries frustrating the efforts of the

international community to fight money laundering (EFCC-Establish Act, 2002). Unlike ICPC, the EFCC investigates people in all sectors who appear to be living above their means. On the basis of the reasons given above, the study by Gbadebo and Olalusi (2014), posits "that the political situation is not encouraging to foreign investors and governments do not set the priority right in infrastructure development. Projects which are meant to meet specific objectives end up becoming white elephant projects.

Findings

Data analyses in this study has led to few revelations.

1. Infrastructural development in Nigeria has over the years been influenced by a number of factors ranging from political, economic, technology, legal, environmental and security.
2. The economic factors which influence infrastructural development in the country are primarily, interest rate, inflation and currency exchange rate.
3. Some of the political factors which affect Nigeria's infrastructural development are-the dearth of visionary leaders, the unfavorable political environment, procurement method and corrupt political leaders and bureaucrats.
4. These factors (political and economic), do not work in isolation. They both constitute two sides of the same since politics is only the other side of economics.

Conclusion

Infrastructure is a vital component of the process of growth and development in any country. The development of infrastructures (economic or social) is a manifestation of the level of development in any nation. As a developing nation, Nigeria is obviously infrastructure-deficient; hence, the efforts of subsequent administrations have been geared towards the development of her infrastructural base. There is abundant evidence to show that many factors influence the rate of the nation's infrastructural development. Political and economic factors have been revealed as the primary forces which affect the rate of development of the nation's infrastructure as buttressed in some previous empirical studies in this current investigation.

Suggestions

Based on the findings, the study makes bold to suggest the following:

1. Political institutions should be strengthened to ensure that only proven men of integrity are ushered into positions of leadership.
2. The fight against corruption should be extended to the grassroots and every unit of government agency. Confining the fight to central agencies like the ICPC and EFCC cannot go far enough.
3. Leadership training for persons should be made mandatory before an individual occupies position of authority.
4. Institutions like the Central, Commercial Bank, the Federal Inland Revenue, etc should be made to enjoy a good measure of autonomy.
5. Need, nearness to sources of raw materials, viability should be considered in the location of infrastructures before any other factor.

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