

Political Frameworks for Economic Development: The Principle of Federalism

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Abstract

In examining federalism, Political Scientists fundamentally restrict their attention to the political aspects of the concept, though it is essentially an economic device. The distribution of responsibilities among tiers of government means that all levels of government should be accountable for economic successes and failures. There is an understanding that all tiers of government are to be engaged in the management of the economy. It has been observed, in the Nigerian contest, that economic failures are solely placed at the door steps of the national government. Against this background, this paper examines the economic dimensions of the concept. The paper investigates the economic relevance of federalism, and why state level operators in Nigeria blame the national government for economic failures in the country. The objective is to expose the potentials of federalism for national economic transformation, and revealing the fetters to the attainment of the economic goals of federalism in Nigeria. The paper argues that federalism is a device for economic transformation in highly polyglot societies, and goes ahead to employ secondary data to advance its objectives. The paper finds that federalism in Nigeria is fettered by a lack of understanding of the tenets of the concept by members of the ruling class. It was also observed that prolonged military rule has left behind some vestiges that adversely affect the operations of federalism in a post military Nigeria. It is therefore recommended that a crash programme on governance be organized for political office holders in the country. It is further recommended that the nation's school system should incorporate courses that would prepare students for political careers upon graduation.

Keywords:

Political Framework,
Economy,
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Background to the Study

Political Scientists have written volumes on the principle of federalism. The concept has been treated from several angles. In doing so they consider it primarily as a political mechanism for the management of ethnic and racial diversity, religious differences, large geographical size, and administrative challenges. Beyond the political, cultural and geographical considerations, very scant attention is paid to the economic dimensions of the principle. However, in every federal state there are detailed devices and mechanisms for revenue generation and sharing, regulation of business activities, and the provision of essential services. These economic features enjoy the same constitutional guarantees as the political features. The neglect of the economic dimensions of the principle by both politicians and academics therefore becomes worrisome. Against this background, this paper sets out to examine the economic dimensions of the principle of federalism. In doing so, the paper would attempt to answer the following questions: what is the economic relevance of federalism? Why do state level operators in Nigeria blame the national government for economic failures when they are also primary operators of the same economy? How would Nigeria maximize economic benefits from the doctrine of federalism?

The objective of the paper is to locate the economic relevance of federalism and proffer explanations for the failure of the concept to manifest its economic dimensions in Nigeria. The central thesis of the paper is that federalism is not merely a political phenomenon, but essentially an economic device for economic management in highly polyglot states. The papers adopt federalism as a theoretical framework. The paper availed itself of historical sources of data; the data was interpreted using qualitative analysis.

Conceptual Aspects of Federalism

Dye, Gibson and Robison (2005) give a simplistic conception of the principle of federalism. They note that “Federalism divides power between two separate authorities – the nation and the states – each of which enforces its own laws directly on its citizens” They state further that both the national and state governments are granted a constitutional capacity to “pass laws, impose taxes, spend money, and maintain their own courts”). Imposition of taxes and spending of money are economic actions capable of addressing economic concerns, they are legitimate tools for economic management capable of impacting the material conditions of the citizens. Magstadt (2006) shows that there is some form of competition for resources and governmental space between the national and states governments in the United States. He explains that the intensity of the competition has waned as a result of the war on terror, yet for him, it is worthy of note that “federalism is competitive as well as cooperative”. Competition or cooperation for resources makes sense only to the extent that the resources so acquired would be applied to economic ends.

Economic concerns were at the heart of recommendation of federalism for Nigeria by the founding fathers of the country. Nnamdi Azikiwe, for instance, in advocating federalism, felt the principle would facilitate economic development of the country. Zik (1961)

argued that federalism had a potential of ensuring, not only economic development of the component parts of the country, but also enhancing economic integration of the nation. He felt each section of the country would explore and exploit its resources for its economic development. On his part, Awolowo (1981) while advocating federalism, argues that the principle has to tackle unemployment, education from primary to university levels, and health care. Its capacity to tackle these issues would also make it a tool for enhancing national unity. Okoko and Nna (1997) drawing from K. C Wheare, state that "Most contemporary federal systems have in place, legal and constitutional arrangements that guarantee all units or groups in the union access to power, resources and representation in the decision making process". As already observed above, access to economic resources presupposes economic management. Indeed, economic considerations are at the heart of the demands for states by different groups in Nigeria from 1957 to date. Advocates for states creation posit that the exercise would not only grant economic independence to the various groups that constitute the nation, it would also enhance economic transformation of the country. The resources of a given state would be deployed to the development of the people of the area from which such resources are generated.

Odumegwu-Ojukwu (1989) feels there is a misunderstanding of what federalism should be in some cases. Focusing on Nigeria, he notes that "We accepted federalism as a system of government without clarifying in our minds whether our federalism was one that would lead to unity or slide slightly backwards into confederalism... This confusion still persists". Perhaps this confusion robs most operators of the principle the capacity to fully appreciate its potentials. There is a possibility that a survey of governors, senators, members of the House of Representatives, ministers, and so on, on what federalism is might reveal a gross lack of understanding of what the doctrines means.

One observes a low premium placed on economic management by state level operators in Nigeria. A lack of understanding of the fundamentals of federalism on the part of the ruling class explains this scant attention accorded economic development. Poor understanding of the doctrine limits its efficacy and potency as an economic management tool. On the academic front one sees a cursory treatment of the problem thus denying the subject matter the centre stage it deserves. Though some scholars mention economic dimensions, this is often given a foot note treatment. Reversing this trend is the gap this paper intends to fill.

Economic Relevance of Federalism

The federal constitution has the mobilization of resources for development as one of its fundamental justifications. The American Constitution shows this much when it states in its preamble "We the people of the United States, in order to form a more perfect Union, establish Justice, ensure domestic Tranquility...promote the general Welfare...to ourselves and our Posterity...". Promotion of the general welfare was one reason the founding fathers of the United States created a federal constitution. The 1999 Constitution of Nigeria, as Amended, in its preamble also explains the Constitution was

created, to among other things, ensure the “welfare of all persons in our country...”. Section 16 of the Constitution contains the economic objectives of the Federal Republic of Nigeria. In 16(1:a) the Constitution states one of the objectives to include “harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy”. The process of harnessing the nation's economic resources for national development is clearly the collective responsibility of all tiers of government. This and related sections of the constitution confer on the national, states and local governments a responsibility to individually and collectively tackle economic challenges in the country. To give teeth to the constitutional provisions, the three tiers of government in the country share centrally collected revenue monthly. In addition, states that produce minerals, especially petroleum, are entitled to at least thirteen percent of proceeds of the resources generated within their jurisdictions. These resources are meant to ensure the development of the recipient states. Thus it is inconceivable for states and local governments to blame the federal government for economic failures. The Nigerian situation is that state and local government operatives blame the national government for their failures especially when they do not belong to the same political parties. Eremie (2015) narrates the story of a state governor who was asked at a public function why he was unable to handle the proliferation of illegal schools in his state. “He replied that the wife of the president decides who the Police Commissioner would be in his state, and so he could not use the police to clamp down on the illegal schools”. Such responses are borne out of ignorance and a lack of understanding of the nature of federalism.

One of the realities of federations the world over is that they have a revenue sharing arrangement. Such arrangements may not be adequate; they may not be acceptable to all concerned, as the Nigerian experience shows. However, their existence shows that each tier of government in a federation has guaranteed and secured sources of revenue. In Nigeria the military regime of General Olusegun Obsanjo affected local government reforms in 1976. The reforms granted tier status to local government areas in the country. Consequently, Nigeria is a federation of three tiers: federal; states; and local governments. The 1999 Constitution of the Federal Republic of Nigeria as Amended, in section 162, lays out the revenue allocation system for the country. Among other things, it creates a Federation Account into which all centrally collected revenue would be paid. Distribution principles are also enshrined. The constitutional provisions have given expression to a revenue sharing formula. Currently the three tiers of government are assigned thus: Federal Government 52%; State Governments 26%; and Local Governments 20%. 13% is assigned to the principle of derivation, a principle that rewards specific contributions to the Federation Account. States are expressly permitted to collect personal income tax, pay as you earn, and several other forms of taxes, as well as other sources of internally generated revenue. Local governments are allowed to collect some forms of local taxes such as tenement rates and operational permits. In addition to all these, all tiers of government are permitted to engage in profit oriented business undertakings. Nigeria had several of such business outfits in the past; corruption and mismanagement made them to go under. The federal, states and local governments are at liberty to disburse the funds accruing to them the best way they deem fit, without any

form of interference elsewhere. As Wheare (1963) points out, federalism is “the method of dividing powers so that the general and regional governments are each within a sphere co-ordinate and independent”. This implies that within the defined sphere all the tiers are equal, and are at liberty to manage their affairs. Allocations from the Federation Account and derivation revenue, as well as the other sources of income, could be deployed to address the development needs of the country.

Minority groups from all parts of Nigeria made presentations before the Willink Commission, asking that states be created for them before the attainment of independence. They anchored their argument on the premise that states creation would enable them to mobilize resources to effect development. In a bid to convince the Commission, they mentioned the natural and agricultural resources available within their areas. Though the Commission recommended that states creation should be a post independence issue, several states creation exercises have taken place since 1963. The numbers of states have moved from three to thirty-six. Going by the presentations made before the Willink Commission in 1957/1958, Nigeria ought to be a highly developed country by now. However, observations show the contrary. The point however needs to be made that those groups who made demands for states creation before the Commission saw federalism as a device for economic transformation. They argue that the exercise would bring development closer to the people and the grassroots.

Tiers of Government and Economic Management

The federal system is predicated on a division of duties and obligations between a national and regional governments. These duties confer on each tier of government a responsibility to undertake actions and processes that would generate development in the country. The Nigerian Constitution assigns defence, maritime shipping and navigation, mines and minerals, railways, inter-state trade, amongst others, exclusively to the Federal Government. An effective execution of these obligations would enhance economic development of the federation. The concurrent legislative list contains areas of dual competence between the federal and state governments; and these include education, health, housing, road construction, agriculture, and commerce and industries, amongst many others. Under conditions of federalism citizens are concurrently subject to two, in Nigeria three, levels of government. By extension they ought to benefit from three levels of government concurrently. Nigerians enjoyed the dividends of federalism from about 1953 to the end of the First Republic in 1966. Then both the federal and regional governments competed among themselves to provide the citizens public goods. The revenue that accrued to the different governments were more judiciously expended in the generation of the greatest happiness to the greatest number. Corruption existed then, but the ruling class attempted to bribe the masses into dormancy by providing them with some public goods. In the present dispensation, the ruling class instigates violence against the people; the people are so preoccupied with security concerns they do not bother about the exploitation meted on them by the ruling class. Thus the level of economic development in the last twenty years is insignificant compared to the quantum of resources appropriated. Economic development which the federal arrangement guarantees remains unattained.

Fetters to Economic Development in Nigeria

A lack of understanding of what federalism entails, on the part of members of the ruling class, hinders the capacity of the system to generate and sustain development in Nigeria. It is as Odumegwu-Ojukwu noted above: members of the ruling class lack basic understanding of the system. The founding fathers of Nigeria understood the system better because they had a greater intellectual depth (many of them had well thought out books to their names). In addition, they were frontline participants in the processes that led to the adoption of the federal system in the country. The current ruling class, on the average, lacks such intellectual depth and frontline participation. Their understanding of federalism scarcely transcends receipt of allocations from the Federation Account and using same to underwrite their extravagant life styles. This is a major fetter to the effective and efficient functioning of the system in the Federal Republic of Nigeria.

Prolonged military rule in the country constitutes another impediment to the smooth operation of federalism in Nigeria. Eremie and Ikporukpo (2016) argue that though there is a civil dispensation in the country presently, years of military dictatorship have bequeathed some vestiges of the military on the nation's polity. Parts of these vestiges include absence of institutions for accountability and responsive governance. There was also central planning and execution of economic policies and programmes by the federal military hierarchy. The military imposed its unity of command on the nation's polity; thus making the national government to take responsibility for economic outcomes solely. Constitutional expression alone, as contained in the 1999 Constitution, as Amended, is insufficient and incapable of reversing these negative trends cultivated over decades of military ascendancy. A corresponding attitudinal disposition is inevitable for the attainment of set objectives. This condition remains elusive presently in Nigeria. Absence of this condition has imbued in the ruling class an enlarged appetite for corruption, economic mismanagement and poor governance. They are also masters of the blame game.

These obstacles rob the nation of economic transformation, and in some cases even economic stagnation and economic retrogression. Federalism becomes, in their consciousness, a device for accommodating an ever increasing number of members of the ruling class who help themselves to the nation's wealth. This explains the fierce contest for power that characterizes the nation's electoral experience. Haven cowed the citizens into submission, the ruling class abandons its economic obligations to the people. The cumulative outcome is that federalism's growth in the country remains fettered, making it extremely difficult for it to attain its goals, especially the economic ones.

Conclusion: Maximizing Economic Benefits of Federalism

This paper examines federalism as a framework for economic development. The paper notes that though federalism is fundamentally a device for economic transformation of nations that adopt it, scholars and practitioners primarily limit themselves to the political ramifications of the concept. The paper attempts a break with this tradition by examining the economic relevance of the concept. The objective of the work is to expose the fact that

federalism is a tool devised to facilitate economic development. It further aimed at explaining why state level operators in Nigeria blame federal authorities for economic failures when they are both responsible for economic management in the country. The paper argues that federalism is a primary device for economic transformation, though this dimension of the concept is often ignored by practitioners and scholars. Adopting secondary data and conducting the study within the framework of the theory of federalism, the paper finds that the Nigerian ruling class lacks a basic understanding of the concept. It was also observed that though the country currently has a civilian dispensation in place, the long period of military rule has left some vestiges on the polity that adversely affect federalism. In addition, the study revealed that present operators of federalism in Nigeria lack an understanding of the tenets of the principle, and so are not able to make the country benefit from the economic aspects of federalism. The paper therefore concludes that federalism holds the key to the economic development of Nigeria once the ruling class appreciates its potentials and work to remove the prevailing fetters.

As a way of transcending the situation presented above, it is hereby recommended that a crash programme be organized for political office holders in Nigeria before their inauguration. As Eremie and Eremie (2008) stated "Our position is that ...specialized public institutions are created to give task relevant education to potential public officers as is the case in France". The doctrine of federalism, its workings, and its various dimensions should be explained to participants in the course of the programme. Such training should emphasize the economic relevance of federalism.

Federalism like any other development device thrives on certain orientations. The ruling class in Nigeria needs to develop to divest itself of the prevailing ruling ethos. Concomitantly they need to acquire a new ethos that would enable them discharge their historical mission of providing transformational leadership capable of oiling all sectors of the Nigerian state. Such a new orientation would aid the unmasking of the economic relevance of federalism. The business of governance is too crucial to be left to the unschooled, the uninformed and the unprepared. The trial and error approach to politics in the country is responsible for the poor returns on investments in governance.

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