

SECTION II

GOVERNANCE AND POLITICAL STABILITY FOR ECONOMIC DEVELOPMENT: LESSONS OF EXPERIENCE

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I. INTRODUCTION

The interplay of politics and the economy has for long been recognized as a major factor influencing the growth of nations, despite the tendency to treat both as independent processes. The process of allocating scarce resources among competing ends (consider the purview of economics) and the process of conflict resolution arising from the distribution of resources and exercise of power (considered the purview of politics) are closely intertwined especially in a developing country like Nigeria. The exercise of power and authority in both the political and economic spheres is the essence of governance. Governance — the exercise of political power for the direction and management of society - links decision-making processes, institutions and structures to the economic environment. It is important to acknowledge that governance and political stability are central to economic development. The link between good governance and economic development is clear. This point has to be made behind the backdrop of the dominant development paradigm in most developing countries that presumes a benign state that operates on the basis of how best to maximize social welfare. The state is, no doubt, a leading actor in the development process of most developing countries. But the state in many of these countries cannot be described as benign. The objective of regime survival which is often paramount to governments in these countries is often pursued in a manner that undermines development and in many of them marginalizes the greater segment of society. While in many developed democracies survival strategies could actually involve seeking to maximize collective utility by positively influencing the state of the economy, in developing countries the regime survival is not necessarily associated with the performance of the economy. Indeed in many cases the state had looted the economy to sustain itself. Yet economists would tend to assume that good governance would ordinarily entail optimal intervention in the economy to correct market failures so as to enable the society to achieve its objectives. Society is said to be better off, than otherwise, with government operating with the intention of improving society

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by removing any obstacle to the advancement of the welfare of society and creating the environment for it to happen. Non-optimal state action is often recognized and acknowledged, but the economist tends to dismiss them as deviation from rational and expected trends. The fact is that sustained non-optimal behavior could actually be a result of the political process. The interests of the politician, the bureaucrat, the political class, and the dominant forces in society are very often not consistent with the preferences the entire society. The political process can sustain such divergence, making non-optimality a fact of life. The Nigerian experience clearly demonstrates that government can be captured by self-seeking elite intent on plundering the nation's wealth. Nigeria had struggled to gain independence with the hope that governments would promote the public interest, only to find that public resources have been diverted for private benefit and that power is been retained by violent and arbitrary means.

Nigeria has since the colonial period witnessed the central role of the state in the development process. The Nigerian state remains a principal actor in the drama of decades of underdevelopment and could be said to be, to a large extent, responsible for it. The nature and character of the state have impacted significantly on the performance of the economy and the ability of society to meet its objectives. In this paper we would like to examine the extent to which the various regime types have influenced the development process. Since the colonial period Nigeria had experience basically two regime types - authoritarian regimes under military dictatorships and democratic regimes under civilian authorities. The two regime types differ fundamentally in the way they exercise power and authority. In liberal democracies the exercise of power and authority tends, more or less, to be moderated by the rule of law, separation of powers, free elections, institutional pluralism, and respect for fundamental human rights. Authoritarian regimes, by contrast, exercise power and authority arbitrarily. In consequence, they are apt to be politically repressive, and they typically exhibit a relentless drive to perpetuate themselves in power. A major question to ask now that Nigeria has again been freed from military dictatorship and can claim liberal democracy is how strong is the correlation between regime types and economic development? Especially in a country like Nigeria where the distinction between the military and civilian segments of the ruling class is blurred. A major aspect of governance in both types of regime in the past has been lack of accountability and transparency in the management of the economy.

The issues of governance and political instability are central to the analysis of the failed attempt at development in Nigeria. After almost four decades of post-independence existence, Nigeria has not witnessed a stable political environment and has lived for most of that period under military dictatorship. The country has failed, especially when compared to some developing countries at similar stage of development in the 1960s, to build a sustainable economy that could address the basic needs of her population. Yet a cursory examination of the endowments of the nation would show that in natural and human resources and other conventional prerequisites for development and growth, Nigeria remains one of the most endowed nations in Africa and indeed, the world. One important observation is that unlike in some of the countries that could be compared to Nigeria, the level of political stability and quality of leadership has posed serious problems. Inability to fashion out conflict resolution strategies and consensus building mechanism has resulted in wasted years on war, civil strifes, and military dictatorship. The observed endowments have been translated into material upliftment for the majority of the population. The paradox of the country's situation is that it has proved incapable of transforming the enormous opportunities it has into positive achievements that would impact on the lives of the masses of the country. One major reason usually advanced for this situation is the absence of good and purposeful governance. The apparent inability of the nation's leaders to mobilize the population for creative employment that would facilitate the process of wealth creation is a major factor in explaining the Nigerian experience. Worst still is the fact that the ruling elites have deliberately impoverished the country by looting and plundering it.

Leadership has to be seen at various levels. The Nigerian case is that of leadership failure at virtually all levels. From the family, the primary social groupings to the various political and administrative levels, the Nigerian situation shows graphic collapse of governance. Nigeria with all its resources is still one of the poorest nations in the world. We are faced with a system collapse manifested by the frequent usurpation of political power by the military elite, institutionalization of corruption, lack of transparency and accountability in the conduct of public affairs, grossly declining productivity, rent seeking among many others. As a result of these, the economy has remained underdeveloped and the quality of life of the average citizen has worsened progressively. Nigerians had virtually lost faith in their ability to sustain meaningful life within their nation as demonstrated by the level of exodus by the end of the last military administration. After decades of gross mismanagement and plundering of the economy by successive military and civilian

administrations we are left with a traumatized people, a plundered nation and sharpened contradiction within society. The issue of ethnic minority rights and the crisis of democratic governance has become a major one in the country. Increasingly, Nigeria has been faced with several severe communal and ethnic minority protest and conflicts. Throughout the country ethnic minorities are in ferment. They are striving to shake off age-long usurpations, and marginalization. The urge to take their own destinies in their own hands is fuelled by the gross mismanagement of the Nigerian experiment by a small segment of society and the age long gross ineptitude of leadership. This is the Nigerian experience. This is the challenge the present democratic experiment has to deal with. The dividends of democracy which the population eagerly awaits will be a mirage unless a radical economic and social transformation is initiated in the country by the current administration. The current effort at accountability and transparency by the administration is a first step in the right direction.

2. THE STATE OF THE NATION .

After 40 years of political independence Nigerians, in the midst of vast natural and human resources, experience poverty and deprivation, as the majority of the population can still not take for granted basic necessities of life. The condition of the majority of the population worsens by the day and the level of absolute poverty remains on a constant rise. Efforts to bring about fundamental socio-economic structural changes have been constantly frustrated both by internal and external forces. Nigeria is again at a crossroads, full of hope for the recent transition to democracy in the country. Nigerians are full of expectations that the democratization of the political system would translate into economic progress. The country has, however, been in this situation before and ended up in frustration and a military coup. The question is why the 1960 and 1979 civilian governments failed? Lessons should be drawn from these experiences for the current democratic experiment. The circumstance that led to the first military coup in Nigeria has been hotly debated in Nigeria. The legacy of that coup will ever remain, and would continue to shape Nigeria's political landscape. The military has, since then, significantly changed the political space in Nigeria. They have radically changed the nature and character of the political class and infused a political culture that would for a long time continue to dominate politics in the country. They were able to do this through the control of the economy and the reckless mis-management of the huge resources accruing from it. The nation's resources were used to create and consolidate a political class, into which elements of the military would graduate and whose resources

base enables them to buy over the political process. This is the reality of the Nigerian case. A situation in which there is a conspiracy between elements of the military and the political class with a view to sustaining a political and economic system that marginalizes the majority of the population and facilitates the mass expropriation of national wealth by the ruling class.

Under this circumstance, Nigerians must ask what the difference is between the present democratic experiment and that of 1979. On the one hand, it has been argued that the military after tasting power for so long was not prepared to remain out of the political arena. Hence after handing over power in 1979 waited in the wings for an opportunity to return. On the other hand it is argued that the opportunity was given by the civilian administration when it failed to govern and to enthrone a culture of accountability and transparency for which the military was not known to have had. The political class continued the plunder of the economy and could not show any marked difference from the military. There are lessons to be learnt from this experience. The problem is that the political class in Nigeria is yet to appreciate and accept its possible role in the liberation of the Nigerian people because its own interests are far from those of the people. Manipulating primordial sentiments and relying on primitive social relations, they have been able to give an impression of oneness with the people. This has been sustained since the colonial period, but evidence suggests that it can now only be sustained in the short run, given the rapidly changing environment.

The political class in Nigeria, as in many developing countries, is different from those in liberal democracies of the West. In the West the preoccupation is with reelection. The political class tends to address this by improvements in the level of income of a large segment of the population, employment creation and price stability. The skills to handle classic policy instruments such as fiscal, financial, monetary, price, exchange rate and trade policies are central to the survival strategies of political parties in power. The population expects and actively demands effective management of the economy as a precondition for support of the government in power and such potentials from contenders for power. In developing countries the issue of re-election is handled differently and is not seen as a constraint in the terms that it is seen in the West. The political class in developing countries is accustomed to looting the nation's resources as insurance for reelection or election at the expense of economic development and growth. The class is not accountable to any other group but to itself. It has the traditional and often primitive instruments of control

and is thus not concerned with the performance of the economy as a way of self-survival. The emergence of the military was initially heralded as a possible check to the excesses of the political class, but in most cases they have proven to be worse and have conspired with the political class to continue the oppression and marginalization of the population.

The Nigerian economy has, since independence, undergone changes which have resulted in numerous distortions that have undermined the growth potentials of the country. Despite the acknowledged size of natural resources and the potentials of her huge population, Nigeria in the last two decades, has failed to bring about fundamental structural changes which are necessary to launch the nation onto a path of sustained economic prosperity. The very low growth trajectory that characterized the colonial economy still persists despite the opportunities and potentials that exist. Periods of boom occasioned by developments in the world oil market have been experienced but not sustained. Central to this performance is severe domestic policy shortcomings and lack of political will to implement appropriate policies. Inept leadership was reflected in poor management and in many instances culpable negligence. The economy's self-adjustment response mechanism was undermined by corruption, lack of accountability and transparency. Nigeria's economic crisis has manifested itself most clearly in the disintegration of the productive and infrastructural facilities. Agricultural output and particularly food production has been substantially reduced from the high levels of the immediate post-independence period. At present most of Nigeria's industries are operating much below their installed capacities. The physical infrastructure built during the immediate post-independence era, has, to a large extent, deteriorated due to poor maintenance and lack of renovation and new investments in these areas have not resulted in major changes. Social services and welfare, especially education, public health and sanitation, housing and potable water, have rapidly deteriorated. The emergence of a monocultural economy, following the gradual demise of the leading role of agriculture in stimulating growth, has created serious problems for the stability of the economy. Nigeria is confronted with a host of adverse external economic conditions, particularly with respect to the collapse in the prices of primary commodities, mounting external indebtedness and decreasing net flows of public and private resources.

3. THE DEVELOPMENT EXPERIENCE

The slow pace of development in Nigeria can be traced to the structural disarticulation of the economy which has been sustained by poor governance culture and political instability.

It has been in the interest of the ruling class to maintain this structure since it has made it possible for them to control and manipulate it. The structural problems of the economy can be traced to the colonial period. The colonial state played an important role in structuring the economy. The colonial economy was particularly design to create surplus, allow for maximum expatriation of such surplus. The economy was constructed on the basis of export of primary commodities in which Nigeria was said to have comparative advantage. Large foreign trading companies promoted trade in manufactures in exchange for the primary commodities produced by peasant farmers. Agriculture was the most important sector of the economy, with the largest share of GDP, employment, and export earnings. This economy integrated the producer to foreign markets. Peasant producers who constituted the major segment of the Nigerian productive class were basically active participants in the global markets for their commodities. The colonial administration ensured that conditions for this relationship was created and nurtured. Marketing boards were established to facilitate both production and marketing of commodities and to stabilize prices. At the center of the system was a process of surplus extraction. Peasant farmers were made to bear the burden of development while creating the surplus necessary to sustain the colonial system. There was an element of exploitation and suppression in the system. The colonial economy did not actively encourage industrialization since the colonial administration did not want to undermine the trade in industrial goods between the territory and the home country. Large trading companies operating in the country were reluctant to pursue domestic production. The colonial government was central to the operation of the economy. Their interests determined policy and the structure of the economy. Governance was a critical factor in shaping the economy and in laying the foundation the country inherited after independence.

The neo-colonial structure of the economy was derived from the colonial economy. It was designed initially to facilitate the continuation of surplus extraction and expatriation by large foreign trading companies. The economy in the 1960s was still basically an agrarian, dependent on primary producers of major export commodities. The weak industrial base persisted during this period even though government made some attempts at encouraging establishment of industries. The structural distortions and the nature of the disarticulation of the economy became manifest in the 1970s. During the 1970s, petroleum emerged and has since then remained the leading sector of the economy, accounting for more than 90 per cent of Nigerian exports and over 70 per cent of government revenue. The large windfall gain from the quadrupling of crude oil prices in 1973-74 enabled the country not

only to expand public investment almost three-folds over subsequent years, but also to build up its foreign reserves which eventually supported conspicuous consumption. Efforts were made by the government to use the oil revenue to restructure the economy and to expand the economic base, largely through the establishment of numerous public enterprises and public Investments in large scale industrial projects which were heavily dependent on imported raw materials. Investments did not create an in-built stabilizer for the oil-dependent economy to enable it avert the instability in the world oil market. The huge oil resources that accrued to the nation during this period represented such a leap in resources available for development. Nigeria was recovering from her civil war and was engaged in rehabilitation and reconstruction. Faulty economic policies articulated during this period reflects the quality of governance. The military was in control and was beginning to change its character and forge alliances with the political class in the face of massive resources at its disposal. The military was beginning to discover that authoritarian regimes have the capacity to appropriate large shares of society's resources without much challenge. The musical chairs played by the military since this period demonstrates the weakness of the military as an institution capable of utilizing the enormous resources from oil for development. Each regime accuses the one it overthrows of massive corruption and looting of the treasury only to be so accused by the next. Bad governance and instability robbed the nation of the opportunity of using the oil revenue for development. The economics of the period influenced the ruling elite and the quality of governance which in turn undermined the economy.

The present phase of the crisis of the economy which manifested itself with the sharp fall in the international oil prices in the early 1980s began with the virtual collapse of the economy. This brought home forcefully the weakness of the structure of the economy. The country found itself in serious difficulties including large negative growth of GOP against high population growth rate, deficits in trade and current account balances and government budget, and a massive increase in external debt. GDP per capita declined from around US\$1,000 in 1980 to US\$250 in 1992. The heavy dependence of the economy on petroleum and imported inputs made the economy highly vulnerable to external changes, particularly those in world demand and prices for petroleum. Various macroeconomic indicators continue to show the depth of the crisis. The average growth rate of real GOP between 1981 and 1985 was -0.18 percent manifesting the intensity of the crisis of the early 80s. The growth rate of the real GOP was, on the average, 0.93 percent between 1989 and 1994. The rate has continued to fall since then, from 8.2 percent in 1990 to 2.9

percent in 1992 and 1.3 percent in 1994. The real growth rate was estimated at 2.5 percent in 1995, 4.3 percent, 3.6 percent and 2.3 percent for 1996, 1997, and 1998 respectively. The rate of inflation was endemic during the SAP period with the exception of 1987 and 1990 when inflation rates were 10.2 and 7.5 percent, respectively. For other years, the rate of inflation was unprecedented, especially for 1988 and 1993 when inflation rates were 56.1 and 57.2 percents respectively. The inflation rate was 72.8 percent in 1995 but decelerated to 10.0 percent by 1998. Capacity utilization in the manufacturing sector decreased from pre-SAP level of about 40.0 percent to the 1989 level of about 25.0 percent. It has since reduced significantly. During the SAP period, the financial sector seemed to have responded to the various changes put in place such as the deregulation of the interest rate resulting in an increase in the number of financial and non-financial institutions. But the financial sector also experienced several policy reversals, for instance, in 1991 and 1994 resulting in serious distress in the sector. Government privatization programme has not resulted in the restructuring that was expected. By 1993, over 86 enterprises had been privatized under the adjustment programme, mostly through public offers on the Nigerian Stock Exchange. Debt overhang continues to be a serious threat to Nigeria's economic future. At the end of 1998, the stock of debt disbursed and outstanding stood at an estimated US\$28.8 billion, and of this some US\$17.7 billion, representing arrears, almost entirely to Paris Club of creditors. The country built up large fiscal and external deficits and other macroeconomic imbalances ensued. Internal and external imbalances in the light of the heavy dependence on the oil sector intensified. The military which was in power for most of this period were completely incapable of reversing the massive decline in the economy. By this time the military had lost almost all vestiges of credibility. The Nigerian state had become very weak due to the loss of legitimacy in the eyes of the population resulting from the massive plundering of the economy, increasing poverty and the harsh political climate sustained by the military. The politicization of the military undermined the authority of the military. The strong dose of authoritarianism was felt only in the areas of human rights violations and the lack of accountability and transparency that characterized military rule. The military retained its solid grip on society and facilitated private accumulation of national wealth by a tiny segment of society. Fully backed by the political class that stood to benefit from the military, they did what they wanted. The fundamental restructuring which is required to liberate the economy from the clutches of the tiny minority that continues to bleed it dry has always been resisted because it must, to be effective, affect social

relations and property rights. The inability of successive military administrations which often came to power complaining of the poor performance of the economy to address these fundamental issues have resulted in widespread and persistent crisis of the economy. As a result, the foreign debt which was considered unnecessary during the oil boom period became a veritable source of financing the country's external obligations and bridging the resource gap for the country's development. Between 1970 and 1994 total debt increased phenomenally.

Military administrations are said to be in a better position to push through unpopular economic policy. The introduction of Structural Adjustment Programmes (SAP) under military regime was thus expected to be more effective. The experience of Nigeria has not proven this point. The military in Nigeria despite its authoritarianism was not able to push through various aspects of the programme. Despite over a decade of SAP, the country is still characterized by distortions and market imperfections which SAP was aimed at eliminating. In addition to domestic policy shortcomings articulation of transformation strategies, are inadequate.

4. THE STATE AND ECONOMIC DEVELOPMENT

In broad terms we have focused on two types of regimes in Nigeria. The contrast seems to be between military and civil rule. In the Nigerian experience the distinction could also be between the various policy regime type in the sense that both military and civilians have tended to pursue similar policies at different times. The issue in question here is the changing role of the state in economic development. The state, controlled by the military or civilians, had in the earlier periods assumed a dominant position in the management of the economy. With the oil boom of the 1970s the state took control of the commanding heights of the economy and saw itself as the moving force behind it. Since the mid-1980s the state, encouraged by foreign interests, has accepted to hand back the economy to the private sector and to provide only the enabling environment for private enterprise. Policies changes were expected to follow such decision. Our interest here is to examine how the various regimes have been able to make this transition and its implication for development.

The role of the state in Nigeria became pronounced during the 1970s following the experience of the economy from independence to the oil boom era. The ability of the private sector to effectively utilize national resources for development was in doubt. The neo-colonial economy was more outwards oriented and in tune with the economies of the

metropolitan countries. The pace of industrialization was very slow, foreign investment in critical sectors of the economy was not forthcoming and the general dominance of the economy by foreign traders encouraged the state to take more interest in the economy with the aim of promoting economic development. Two regime types are compared here - the regimes under national planning and the laissez faire regimes. We could say that the various regimes up to 1986 were in the first type while the post-1986 regimes are in the second.

National economic planning in one form or the other is practiced in virtually all countries. The idea that the state should influence the workings of the economic system is as old as the emergence of modern economies. Various reasons have been given for why this is necessarily so. The turbulence associated with the arrival of capitalism in the nineteenth century encouraged systematic planning of many economies around the world. Between 1917 and 1950 some countries in reaction to what they considered the injustices of capitalism experimented in a construction of an alternative system. This experiment gave planning a new image and emphasized central control and direction. Most other countries especially the new independent states which found themselves late starters in the development race opted for a hybrid of both systems. Development planning for them was not necessarily involved with central planning and control but a combination of government participation and direction within a market economy. In most of these countries, however the state played a leading role. The state occupied the commanding heights of the economy and took key decisions. Nigeria joined in this rank. Nigeria's experience with planning has not been that encouraging. Governments were not held accountable for plan targets. The annual disbursement of resources often bore no relationship with set targets in the plans. Thus, while the concept of government intervention was taken for granted there was no mechanism to ensure that such intervention was in the public interest. The management of the economy in the 1970s demonstrated this point. Huge amount of resources were expended on projects that were of little benefit to the system. The state became a vehicle for private accumulation of public wealth.

With the virtual collapse of the economy in the early 1980s it was clear that the state had failed in its attempt to manage the economy. The intervening state, controlling the commanding heights of the economy had unwittingly run the system aground. With the expansion of trade and greater interdependence among countries, the locus of growth and development was being shifted out of the nation. The moving force of development was

not necessarily to be found within the nation. Globalization has further pushed the question of the efficacy of national planning. Moving the focus of development to the international level, the question becomes what role is there for the nation state? If globalization results in a borderless world, what meaning would national planning have? Nigeria accepted to restructure the economy in 1986 with the introduction of SAP. The government committed itself to a market based, private sector led, liberal economy in which the state would provide only the enabling environment for private initiatives. From this point the question became how to hand over the economy to the private sector when oil revenue still accrued solely to the state and where power was concentrated with the state sustained by the flow of these resources? What adjustments would the political class have to make to retain power over the control of national resources? These questions have undermined the adoption of genuine adjustment policies. If the pre- 1986 regimes judged against the background of national planning failed, those of the post- 1986 judge against the background of liberalization have still a long way to go.

Given the performance of both regime types the question is how the present regime in the country should proceed. It is a historical fact that, with quite minor exceptions, the latter a political-economic unit has embarked on a serious development effort and greater the disparities between its own levels of institutional and productive forces and those of highly developed political-economic units, the greater has been the role of the State. Regardless of their attitudes towards private enterprise or income distribution, states starting development late and at a comparative disadvantage have found massive social and economic intervention essential. The dominant paradigm today however call for a redefinition of the role of the state in economic activities. The process in most developing countries who must deal with the international community to facilitate development has been that of rebalancing the public and the private sectors. Liberalization must however be defined within the context of the ability of markets to function properly and for the interest of the majority of the population to be protected. The challenge to the state is even greater now than in the pre-1986 period. The state, even under the liberalized environment still has critical regulatory and management functions. For example, the incredibly complex distortions in commodity prices now prevailing are the unplanned macroeconomic outcome of specific microeconomic interventions. But substantial fragmentation in the markets for land labour and capital provided the initial motivation for public authorities to 'do something'. We have to contrast this to the tenets of liberal classical doctrine that the free and unimpeded

mechanism of market forces would lead to a maximum national income. Disregarding an ethical value judgment about personal income distribution and special cases of increasing returns to scale the maximum would also be an optimum national income. Any conscious deliberate active economic policy designed to influence the amount and composition of investment could not, according to this school, raise national income in the long run.

Globalization has created its own challenges to the state in developing countries. Behind the force of globalization is a technological revolution which is altering fundamentally and radically all aspects of business, industry and manufacturing. At the core are the new information and communications technologies. Information technology combines progress in electronics, computing, and telecommunications to come up with a highly dynamic process of storing, processing, transmitting and presentation of information. This has created capacities for new and efficient responses to age-old problems. More efficient production processes are now possible and countries with the capacity are adopting them in a bid to maintain a competitive edge within the changing global environment. Countries are now in a better position to respond speedily to changes in demand patterns and changes in international comparative advantages. The Nigerian state has a responsibility of ensuring that the country takes advantage of these developments since the private sector is still too weak to respond adequately to these developments. The state has to increase efforts at capacity building to improve on the ability of the economy to respond.

5. CONCLUSIONS

The state in Nigeria has, since independence failed to be developmental. Various regime types have been experienced but none has been able to promote sustainable development because the essence of the state has been anti-developmental. Strong vested interests have always wielded political power and succeeded in expropriating national resources at the expense of development. The logic of the state has been to expropriate national resources for the exclusive use of the ruling class — military and civil. The role of governance and political stability is critical for economic development. The Nigerian experience has, however, shown that the state has been an instrument of exploitation and suppression rather than an instrument for development.

Globalization has again pointed out that the issue for development is not a choice between planning and *laissez-faire*. A critical look at the history of economic development shows that economic development is almost invariably a process in which planning and

freedom of enterprise is mixed. The usual pattern is one of a mixture of bureaucracy and enterprise. The main problem with most developing countries is that their economies are fragmented such that individuals are not able to raise productive investment to the level necessary to provide for a rise of national income substantially in excess of the rise in population, so that per capita national income increases. Globalization has heightened the need for rebalancing between the public and the private sector, particularly in developing countries. It calls for a wholesale reinvention of government. The state has to move from doing many things badly to doing its fewer tasks well. The new communications technologies coming on-line have transformed production processes and brought wealth and power to those who possess the skills to understand and control them. Developing countries must face the challenges of globalization.

As most countries are now finding out, within the new order major changes and restructuring are necessary. The rapid spread of international capital has resulted in the gradual diminish of national control of the economy. While the information revolution offers many benefits, it also poses new challenges. These developments have opened up new chances for development for those countries that are still trying to catch up with the developed world. But these countries must develop the internal structure and the willingness to articulate policies that enable them benefit from these developments. For countries with relatively strong fundamentals and appropriate policies, openness could help to speed up growth. Countries that cannot correct internal distortions and create the environment for market oriented policies to take root are most likely going to suffer the negative aspects of globalization. Nigeria for example is still very weak internally such that despite its huge natural resources the level of poverty remains unacceptable. To meet the challenges of the emerging new world order and diminish the possibility of threat from major countries in the international community, Nigeria must effectively mobilize its domestic resources to build a strong, viable and self-sustaining economy.

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