THE IMPOSSIBILITY OF SOUND ECONOMIC OUTCOMES WITHOUT SOUND MANAGEMENT AND LEADERSHIP

AN INAUGURAL LECTURE, 2011/2012

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UNIVERSITY OF IBADAN

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An inaugural lecture delivered at the University of Ibadan

on Thursday, 03 May, 2012

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Ibadan University Press
Publishing House
University of Ibadan
Ibadan, Nigeria.

First Published 2012

ISBN: 978 – 978 – 8414 – 80 – 3

Printed by: Ibadan University Printery

The Vice-Chancellor, Deputy Vice-Chancellor (Administration), Deputy Vice-Chancellor (Academic), Provost of the College of Medicine, Dean of the Faculty of the Social Sciences, Dean of the Postgraduate School, Deans of other Faculties and of Students, Distinguished Ladies and Gentlemen.

Foundation

It is with great humility and honour that I stand before you, representing the Faculty of the Social Sciences, to present the first of the two inaugural lectures on behalf of the faculty in the 2011/2012 inaugural lecture series. Mr. Vice-Chancellor, I would like to inform you that this is the 10th inaugural lecture from the Department of Economics since its establishment in 1958. I am especially excited that for the first time, a woman is presenting an inaugural lecture not only on behalf of economics department but on behalf of the Faculty of the Social Sciences. I am hopeful that after this, many more women shall stand in this hall to present their inaugural lectures on behalf of our great Faculty.

When I contemplated the themes and titles for this lecture, I didn't have to search far before settling for the central point of this inaugural: *sound economic outcomes are impossible, if management and leadership are unsound*. My recent experience in government as Chief Economic Adviser to the President, Federal Republic of Nigeria has convinced me of the truth of the statement in the concrete. Prior to the experience in public service, my research and publications led me to believe with both logical and empirical justification that sound management and sound leadership matters for economic outcomes. Now, I have the experience to back up the theory.

How did I come to this conclusion? A bit of personal history is appropriate. In the search for a career path that would position me to be a positive influence in the society, several academic disciplines attracted my attention before I ended up in economics. I studied journalism for a little while, television broadcasting also for a while, and eventually settled for a first degree in Health Management, following which I did an MBA in Management, both in the United States. After national service in 1983, I joined the Department of Economics, teaching mainly in the areas of human resource management, strategic management/business policy and marketing in the professional programmes of the Department of Economics, that is, the (MBA and MBF programmes) and marketing in the undergraduate programmes. Simultaneously, I registered for the MPhil/PhD programme in economics graduating in 1989 with a PhD in economics.

My faith in God Almighty and in His Son Jesus Christ has been the core of my life since 1969 when I experienced spiritual re-birth in a little chapel in Baptist Girls' High School, Agbor in the former Bendel State. Unworthy as I am, God has shown me a love so deep, so perfect and so unfailing that it is only because of His Divine Grace that I stand before you today and all of you are here to listen to me. By His Grace, I have gone through diverse experiences that have molded me in ways that are visible to many but probably understood by only a few. It has been a blessing to have a broad educational foundation and training (at home and abroad); visiting appointments at the Maastricht Institute of Management in the Netherlands in 1992-93, British Chevenning Fellowship at the Department of Economics, University of Manchester, a Senior Fulbright Fellowship at the Michigan State University and funding support of several bodies. All of these opportunities and experiences have given me purpose and shaped my mind to think broadly and deeply about life issues including a career in economics; the nexus between economics/allied disciplines and outcomes in theory and in practice and the true essence of management and leadership in the Nigerian and global context.

Mr. Vice-Chancellor, it is axiomatic that economics and its principles are foundational to allied courses such as management, accounting, finance, human resource management, marketing, and so on. The idea of incentives, trade-offs, choice, rationality, consumption, production, distribution, markets and welfare which are at the core of economics, find applications in allied disciplines in ways that break down the typical boundaries of mainstream economics producing ideas that influence the conduct of businesses and of governments directly.

Yet, because economics is foundational to allied courses and because of its importance to every human being and social formations including households, business organizations and states, the discipline of economics is for good or bad, a powerful force in our lives, in the path of nations and indeed, in the path of the world. In fact, there is no aspect of human life today that is immune from ideas embedded in economics or from vested economic interests. Keynes in his revolutionary book, *The General Theory of Employment, Interest and Money* (*The General Theory* for short) drew the following often quoted conclusion about the power of economic and political ideas:

> … the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, sooner or later, it is ideas, not vested interests, which are dangerous for good or evil. (pp. 383–4)

I am convinced that the main point is not that vested interests precede or is more significant than ideas or vice versa, rather it is that economic ideas and vested economic interests are powerful twins that have profound effects on national and global economies. Before Keynes, Adam Smith in *The Wealth of Nations* strongly criticized the ideas and the vested interests embodied in mercantilism. It is a historical fact that the mercantilist used their economic and political connections to ensure that the British Monarchy adopted mercantilism as state strategy and policy. Indeed, the mercantilists were very successful in influencing the British Monarchy, the emergent global military and economic power between the 15th and 18th centuries to adopt strategies (colonization, monopolization of trade in colonies, wars, etc), policies (import restrictions, subsistence wages, export subsidies, etc) and ideas (bullion is the source of wealth) that profited them and the Monarchy. In mercantilism therefore, mercantilist vested interests and mercantilist ideas converged to produce vast fortunes for mercantilist such as Thomas Mun and the British Monarchy at great costs to the subjects of the Monarchy in Britain and in the colonies. The proposition that ideas are interest neutral or, that interests are ideas neutral is a false one as economic history and history of economic thought makes it very clear that economic ideas embody economic interests and vice versa.

When *The General Theory* was published in 1936, economics and the global economy experienced one of their lowest points. Economics suffered a crisis of confidence and credibility because it failed to do what economists claimed economics was capable of doing: (1) explain economic phenomena as they really are and (2) produce accurate and interesting predictions about economic phenomena that could be falsified. When the global economy faced its worse crisis (the Great Depression which began in 1929 and lasted well into the Second World War), mainstream economic thought did not offer sound ideas for solving the crisis. When the crisis began, the failure of economics to understand the Great

Depression and to provide national policy makers with the ideas required to resolve the global crisis in their countries led Keynes to separate himself from mainstream economics; he stated in Chapter 1 of *The General Theory* that:

> … the postulates of the classical theory are applicable to a special case only and not to the general case, the situation which it assumes being a limiting point of the possible positions of equilibrium. Moreover, the characteristics of the special case assumed by the classical theory happen not to be those of the economic society which we actually live, ***with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience***.

In the concluding chapter, Keynes wrote:

> The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes.

In 2012, economics and the global economy are yet at another crossroad. Like in 1929, economics failed to anticipate the 2007 global financial crisis which developed into a global economic crisis with sovereign debt crisis, fiscal austerity, high unemployment, low growth, rising poverty and rising inequalities being the more visible consequences. As in the days Keynes wrote, not only are economies failing to provide full employment, but the inequalities in wealth and incomes have worsened even in the most powerful and richest nations in the world. In addition, the global economy is also in transition, with emerging nations the gainers and, the dominant economies of the 20th century the losers (Garba 2012a).

A global economy in crisis and in transition offers great opportunities for rethinking of ideas, values, choices, actions, outcomes and most of all of purpose. In Nigeria, the phenomena of *growing poverty* (from 69.1 million in 1996 to 120.12 million in 2011); *rising unemployment* from 12.3% in 2006 to 23.9% in 2011; *declining global competitiveness* as measured by the World Economic Forum (WEF) from 94th (2008) to 99th (2009) to 127th (2010) and *growing insecurities* as exemplified by incidences of terrorism and violent crimes are indicative of a nation in decline. Increasingly, questions are being raised about the relevance of the ideas and work of Nigerian academics, including economists.

At this point of global and national economic crisis, vested interests and the ideas that justify and enable them must be critically re-examined. Indeed we must re-examine our work as academics because we face increasingly the relevance question. Too often in Nigeria, in academic analysis and discourse and more so, in businesses and national economic policy, expectations are built on questionable and dubious foundations. In pure economic thought noted for its parsimony and increasing technicalities, intuition and insight are subordinated to technical derivations as if economic phenomenon has ceased to be social and political. The false divide that earlier theoreticians of the classical and neo-classical era, particularly J. S. Mills and Leon Walras made between applied economics (production) and social economics (distribution) and by extension allied disciplines, denies the reality that economic phenomena is organic as Marxian economics and the integrated economics view of Professor Aboyade rightly held. Even in theoretical physics, the continuing search for a General Theory of Everything that unifies general relativity and quantum mechanics is indicative of the growing recognition that the universe is organic and not fragmented or anarchic.

At the core of economics are microeconomics and macroeconomics which are still to be unified. Allied disciplines have leveraged on the weaknesses of economics to improve understanding of consumption, production, exchange and distribution behaviour beyond the abstract theories of mainstream economics. For instance, in marketing, the focus of consumer behaviour is not on thinking from assumptions of doubtful credibility as microeconomics does, but on understanding the decision process and actions of people who buy and use products through empirical methods. The focus enables firms to predict the behaviour of buyers; develop marketing strategies and predict likely response of buyers to their strategies. Similarly, the idea of a firm as producer is too limited for understanding the complex decision-making processes of modern business organizations. Consequently, management and leadership theories developed in allied fields improve understanding of management of modern business organizations.

Management and leadership are not limited to the micro-sphere but extend to the macro for in studies of the experiences of countries whose rise could be characterized as transformative, a major determining factor has been managerial leadership capacities embodied in people. Less naturally endowed nations such as Japan, South Korea and Singapore have been propelled by sound management and purposeful leadership to transform their economies into the "First World" status. In contrast, unsound management and purposeless leadership have undone and broken many nations. What is viewed as corruption thrives when the environment is corrupted by unsound management and leadership failures exemplified by lack of knowledge, wisdom and understanding and sound morally grounded motives.

My purpose in this inaugural lecture Mr. Vice-Chancellor, is to put forward and justify three related arguments that may provide insight into the possibilities for the Nigerian economy and indeed, the Nigerian state. First, Unsound ideas and unsound economic interests breed unsound choices; Unsound choices produce unsound actions; Unsound actions produce unsound outputs; and Unsound outputs produce unsound outcomes. Therefore, unsound ideas and interests produce unsound outcomes.

Second, management and leadership are products of ideas and vested interests as they are moderated by the changing value systems, institutions and the incentive system that are embedded in institutions. Third, sound (unsound) manage-ment and sound (unsound) leadership will produce sound (unsound) outcomes.

The main point of the arguments and of this lecture, is to direct attention away from false hopes and false expectations to the objective conditions that produce sound outcomes. In analysing the objective conditions that produce sound out-comes, at the least, we would know what not to do if we desire sound outcomes. I am hoping that this would help to discourage a tendency to compartmentalize our participation as academics in management, in leadership and in public service to a degree that we are contented with our inputs even when the outputs and outcomes are unsound or, the inputs time and time again fail to bear the desired fruits.

Several concepts and phrases have been used which meanings must be made clear at this point before I can proceed. In the next section therefore, I attempt to clarify the key concepts. Thereafter, each of the three arguments is justified before the implications are drawn in the concluding part.

Conceptual Analysis

The key concepts in the first argument are ideas, vested interests, actions, outputs and outcomes. The concepts in the second and third argument are: management, leadership and institutions and incentives. Common to all three arguments is the word sound and its antonym unsound. I will therefore, begin with the concept of soundness and unsoundness.

Sound and Unsound

In the dictionary, the word sound is a *noun* (with applications in biology, physics and music), a *verb* with an object (for example to sound out; to sound a bell, etc.) or without an object (to sound loud, to sound strange, etc.), an *adjective* and an *adverb*. I use sound and unsound as an adjective and as an adverb. Sound has been used to qualify business, investments, judgement and advice. Sound investment or sound business emphasizes the qualities of strength, security or reliability; sound judgement emphasizes the qualities of competence, validity, justice, wisdom and reasonableness while sound moral values emphasizes the quality of substantial or enduring character. The domain of economics, management and leadership includes investments, business, policy, judgement and advice. At the core of economic analysis are economic agents (individuals, households, firms, entrepreneurs and government agents). The domain of management theory and leadership covers the same class of agents. Therefore, the soundness of economics, management and leadership imply a similar set of qualities.

The soundness of economics involves more than the mainstream view that limits soundness mainly to logical validity. Keynes (1936) shows that an economic theory can be logically correct from an unsecure foundation. However, it could not produce sound outcomes for it would be misleading in the concrete and produce disastrous outcomes when applied. Soundness of economics, of management and of leadership has fundamental qualities such as purpose, justice, wisdom and character and extrinsic qualities relating to consequences or outcomes such as: strength, security, reliability and stability. The point being then that economics, management and leadership must be judged on their essence as well as their products. Thus, economics, management and leadership are sound if they satisfy the fundamental or essential qualities of good purpose, justice, wisdom and character and produce outcomes that are strong, secure, reliable, and endure. Otherwise, they are unsound.

As an adverb, sound implies depth and thoroughness. Therefore, *depth and thoroughness* are additional qualities of soundness of economics, management and leadership. Put together, a soundness test involves three elements: fundamental quality (purpose, justice, wisdom and character), consequence (strength, security, reliability and stability), and depth and thoroughness.

Ideas, Vested Interests, Choice, Actions, Outputs and Outcomes

Before I clarify the meanings of each concept, I believe that it is important to establish a nexus between them that shows their inter-relationships. The first argument already establishes a nexus: ideas and vested interests are mutually reinforcing and together they influence choice which in turn influences actions that are inputs into a process that produces outputs that in turn determine outcomes. The nexus is shown in figure 1 below. The nexus applies to all hierarchies of social organizations (family/household, economic and political organizations, nations, bilateral, regional and multilateral) that are social, economic or political.

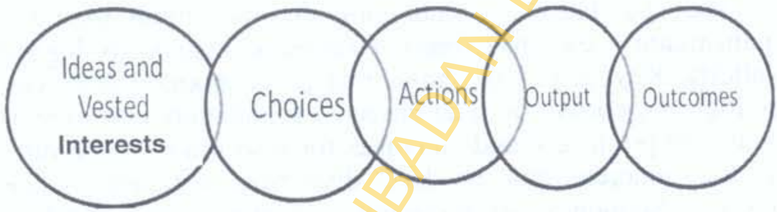

Fig. 1: The nexus between ideas, vested interests, choices, actions, output and outcomes

The synonyms of the word ideas include thought, conception or notion. Ideas can also mean opinion, views, beliefs or plan of action. What is common to all is that they are products of human mental activity. Yet, in sociology of knowledge, ideas are presented as products of social processes; also that the quality of ideas (truth content, credibility, rightness, morality, etc) can be shaped by social processes. It has also been argued that various social, cultural, political and economic conditions shield people from the truth. When that happens, (1) the soundness of choices, of actions, of output and of outcomes becomes adversely affected and (2) vested interests become an issue.

A distinction can be made however, between human ideas and godly ideas. This distinction suggests that ideas could source from human mental, social, economic and political processes or, from a higher spiritual authority. The Bible for instance, makes this clear:

> "My thoughts are not your thoughts, and my ways are not your ways," declares the LORD. "Just as the heavens are higher than the earth, so my ways are higher than your ways, and my thoughts are higher than your thoughts." (Isaiah 55: 7-8)

In the Bible, a dualism between the godly and worldly is at the core with sharp contrasts such as: God and Satan; life and death, truth and error, light and darkness and love and hate. A godly being is a new creature as stated in *2 Corinthians 5:17*. The godly person is led by godly ideas and would make choices based on such ideas. The godly person believes that everything, which includes all resources for household, business and governance belong to God, and managers and leaders hold them in trust for God to be used to fulfill God's purpose. So the idea of maximizing profit at all costs no matter the consequences of actions and decisions on others would not arise. On the contrary, a person guided by human ideas devoid of God, would have the opposite set of values guiding his choices and decisions.

The behavioural paths of the two (godly and worldly) are divergent in the management and leadership of households, businesses and governments. The distinction between the human and the godly is also at the heart of this lecture, for indeed, the distinction leads to opposing sets of ideas, interests, choices, actions, outputs and outcomes.

In mainstream economics, the concept of the economic man is the mainstream: he/she is self-seeking, greedy and a lover of material pleasure. It is obvious that the concept fits within the worldly sphere. In classical thought, prior to the formal integration of the concept of economic man in economic analysis, Adam Smith in *The Wealth of Nations* criticized the mercantilist who advocated monopolization of trade (international and domestic) which he (Smith) believed to serve vested interests and was inferior to free trade in terms of social outcomes. In contemporary times, sets of special interests have expanded within nations and globally. Today, they include multilateral organizations, bilateral organizations, foreign governments, political parties, bureaucrats, big corporations, oligopolies, monopolies, trade unions and other groups. Like the mercantilist, these special interests cover-up their interests in sophisticated ideas that do not pass the soundness test. Several development theories have been developed by economists that work for or are funded by the multilateral development agencies which rationalize external borrowing by less developed nations. Many developing countries, including Nigeria, that bought into the game got trapped in the process at heavy cost to their nations. For many, external debt has become addictive promoted by vested interests in development finance industry. Clearly, vested interests have strong influence on choice, action, output and outcomes at every level of human organization: individual/household, groups, national, bilateral and multilateral.

In economics, **choice** is viewed as a product of scarcity and involves choosing between alternatives. It is asserted that all economic agents—individuals/households, businesses, government—have resource constraint and therefore, must make choices. Economics asserts that agents are (1) free to choose independently between alternatives; (2) have perfect information; (3) have perfect computational abilities; and (4) are motivated by material outcomes (satisfaction and profit). With the reality of vested interests and their strategic behaviours, it is clear that most economic agents are not free to choose independently because vested interests either narrow the options or work against the attainment of their desired output and outcomes. In Garba and Garba (1997) we showed that were the Nigerian government independent, perfectly informed and motivated by the interests of a majority of Nigerians, they would not have chosen to implement a Structural Adjustment Programme (SAP) designed by its self-centered creditors. In strategic choice situations that are the norm, any agent that does not consider what vested interested parties may do, is doomed to produce unexpected and often, undesired outcomes.

The unsoundness of choice is thus, often a reality. Even information economics have brought to focus the choice problems of (1) adverse selection (choosing what harms ones' interests) and (2) moral hazards (when special interests become so powerful that they know they will get away with choices and actions no matter their effects on society). We have seen much of that in the current global crisis when governments have been forced to bail out banks and financial institutions that promptly award very high bonuses to themselves.

Choice and action are part of the process linking vested interests and ideas to outputs and outcomes. Choice involves decision while action is the implementation of the decisions. The lag between choice and action is critical as is, the consistency between choice and action. At individual/household levels the lag may be very short for many routine decisions but longer for less routine decisions such as buying a house. For businesses and governments, the lag may be progressively longer for less routine choices. For governments, the action lag is much longer especially in democracies because a diverse set of contentious or conflicting interests come into play. This problem is exemplified by (1) the Nigerian budget process which, in recent years, is always late and (2) by the debt ceiling fiasco in the United States which cost the US its Triple-A rating in 2011.

Output in economics is associated with production presented as a material input-output process that emphasizes efficiency. Gender analysis has expanded the material process to include social reproduction which includes household production to introduce conflicts and inequity as issues. Early thought viewed production as a nexus of two processes: material and monetary. The materials process raises issues of environmental sustainability because production involves the use of natural resources that are transformed into output of goods and services and wastes products that are disposed in the environment. Issues of depletion of resources (renewable and non-renewable) and damage to the ecosystem from both resource use and disposal of waste have become germane in an era of global warming, climate change and relentless depletion of the ozone layer. In Nigeria, the Niger Delta and the northernmost part of Nigeria raise urgent questions about the sustainability of their ecosystem.

Individuals/households, businesses and governments are involved in the processes that generate outputs. Output, however, is not an end: it is a means to an end. In mainstream analysis, consumption is the end of production while in Marxian thought, consumption and production are part of a continuous organic process. If consumption is the end, it follows that consumption is the outcome of production. In game theory, the payoff is the outcome of the game. Whether the payoff (game theory) or distribution of output is fair, just and equitable are issues that affect the soundness of the process leading up to outcomes. In the applied areas which developed out of perceived weaknesses in economics, consumption is not the end of production. For instance, in marketing, consumer satisfaction, improvement in welfare of consumers and profit made by businesses are the end of production.

The academic may argue that his/her responsibility is to produce ideas. However, the responsibility of the academic does not end with the production of ideas. This is because *the ideas that the academic produce, which shape society, are pregnant with vested interests and such interest laden ideas become part of the process that produce the outcomes that define the economic status, state and the well being of human beings in society who show up as data in our research*. So, if we see unsound outcomes (inequality, poverty, unemployment, recession, conflict, business failure, homelessness, suicide, etc) in our societies and globally it would be right to associate them with the ideas and vested interests that produce them just as we are probably more inclined to do for positive outcomes (output, productivity and employment growth, low inflation, stable external balances, stock market growth, etc).

Management, Leadership, Belief System, Institutions and Incentives

Management

The dualism inherent in this lecture requires that I look at management from two perspectives: godly and human. The godly perspective is captured in Genesis 1:26-31, Genesis 2 and 3, and all through the Bible.

> Then God said, "And now we will make human beings; they will be like us and resemble us. They will have power over the fish, the birds, and all animals, domestic and wild, large and small." 27 So God created human beings, making them to be like himself. He created them male and female, 28 blessed them, and said, "Have many children, so that your descendants will live all over the earth and bring it under their control. I am putting you in charge of the fish, the birds, and all the wild animals. 29 I have provided all kinds of grain and all kinds of fruit for you to eat; 30 but for all the wild animals and for all the birds I have provided grass and leafy plants for food"---and it was done. 31 God looked at everything he had made, and he was very pleased. Evening passed and morning came---that was the sixth day.

The important points to note are (1) God created the world and man for His purpose and (2) God put man in charge of His creations to manage according to his purpose. When man fell (Genesis 3), his situation changed (he was cast out of the Garden of Eden). In his changed situation, man has increasingly departed from God's purpose. Consequently, as with everything else, man came to rely on mental and social process in thinking about management.

Human preoccupation with the concept and theory of management concept is relatively recent and coincides with the increasing complexity of business organizations in the post-industrial revolution era. The notion of the firm as a producing organization rooted in neoclassical economics provides limited understanding of modern businesses. The human concept, theories, approaches and models of management are diverse and often, a domain of much disagreement and controversy. In my book, *Management Theory: Relevance for Management Practice in Nigeria*, published in 1992, I observed that "confusion permeates the discussion of the appropriate meaning and scope of management" and that it was difficult to find two authors or two managers that agree totally on the concept of management. This has led to (1) several concepts and (2) several theories of management. The different concepts and theories often have different areas of emphasis as table 1 below shows.

Table 1: Schools of Management, Definition and Emphasis

School	Definition	Emphasis
Management Process	"a process of getting things done through and with people operating in organized groups"	Process
Empirical School	"Study of experience"	Experience
Human Behaviour	"process of getting things done through people"	Process
Social System	"social system . . . a system of cultural interrelationships"	Social Systems

Source: P. Kassey Odubogun (1992), *Management Theory: Relevance for Management Practice in Nigeria*, Netherlands International Institute of Management.

The discipline of management remains contested and dynamic. The dominant approaches include the Classical Approach which includes two theories (Scientific Management Theory and Classical Organizational Theory), the Behavioural Approach, the Theory X and Theory Y approach and the Management by Objectives (MBO) among others. The approaches emphasize:

a. management of work and how workers can be made to be more effective (the Scientific Management Theory);

b. basic functions of management and principles of management (Classical Organizational Theory)[1];
c. boosting the productivity of workers through investments in a better understanding of workers (Behavioural Approach)[2];
d. behaviour of managers towards their workers (Theory X and Theory Y)[3]; and
e. goal setting by managers and subordinates and performance (MBO)[4]

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[1] Henry Fayol, a leading proponent of the Classical Organizational School focuses on the *functions of management* (planning, organizing, leading, and controlling) and the *principles of management* (division of labour, authority given in line with responsibility, discipline, unity of command, unity of direction, span of control, equity, fair remuneration, stability of tenure, subordination of individual interest to the general interest and so on).

[2] The Behavioural Approach came out of the Hawthorne Study where the researchers tried to manipulate lighting of the workers work environment with the hope of motivating them to increase productivity. The result of the study showed that while better illumination did not affect the workers, the fact that management took time to care about their welfare positively affected them and made them more productive.

[3] The **Theory X and Theory Y** are part of the overall human relations movement that impacted management for many years with Douglas Macgregor who studied the behaviour of managers towards their workers and Abraham Maslow who worked on the human "hierarchy of needs" as its leading proponents. Douglas Macgregor concluded that a manager is either a Theory X manager who believed that workers are basically lazy and should be coerced to work, or a Theory Y manager who believed that people basically took initiative and were willing to work with minimum of supervision. He concluded that for the best outcome from an organization, it would be better for management to understand the type of workers they have and then rationally decide which of the theories to apply in managing them.

[4] The approach of **Management by Objectives** (MBO) was developed by Peter Drucker and has been much used in practice.

The management concepts embedded in the approaches include:

a. the functional concept: management is what managers do such as forecasting, planning, organizing, commanding, coordinating and motivating.[5]
b. Art of getting things done through others"[6],
c. leadership and decision-making concept: "management is an art and science of decision-making and leadership."[7]
d. productivity concept: management is the art of increasing productivity[8]

[5] The set of what managers do vary from one proponent to the other. In Henry Fayol's set the list includes forecasting, planning, organizing, commanding, coordinating and control. In James L. Lundy's list, management involves planning, coordinating, motivating and controlling the effort of others towards a specific objective. Other key proponents of the functional concept include M. Carlisle, George R. Terry, E.F.L. Brech, G.E Milward and McFarland.

[6] Proponents of this concept include Mooney and Railey, Koontz and O. Donnel, Lawrence A. Appley, S. George, and Mary Parker Follet. J.D. Mooney and A.C. Railey defined management as "the art of directing and inspiring people." Also Harold Koontz defines management as "the art of getting things done through and with people in formally organized groups. It is the art of creating an environment in which people can perform as individuals and yet cooperate towards attaining of group goals." Mary Parker Follet simply defines it as "the art of getting things done through others."

[7] Donald J. Clough it was who defined management as "the art and science of decision-making and leadership" while Ralph, C. Davix, saw management as "the function of executive leadership anywhere." Other proponents of this concept include The Association of Mechanical Engineers, in the U.S.A., and Fredrick W. Taylor.

[8] Economists see management as a factor of production like labour, land and capital. The proponents of this view include John F. Mee, Marry Cushing Niles, and Fredrick W. Taylor. John F. Mee for instance, defines management as "the art of securing maximum prosperity with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the public the best possible service." F. W. Taylor defines management as "the art of knowing what you want to do in the best and cheapest way."

e. universality concept: management is "a universal activity which is equally applicable in all types of organizations whether social, religious or business and industrial" (Henry Fayol).[9]

In the book, *Management Theory: Relevance for Management Practice in Nigeria,* it was noted that managers and "management experts" have sought to reduce a complex phenomenon into a single sentence or just a few sentences. What I learnt from my experience during the teaching of management theory with two of my mentors in the Department of Economics, Professor Afolabi Soyode and Professor M.O. Kayode, in the late 1980s to early 1991 which I summarized in the book were that:

a. for a "definition to be meaningful and relevant, it must capture the total essence of the phenomenon";
b. the "problem with many of the definitions if not all, is that they are partial; each definition brings out only a subset of the phenomenon of management"; and
c. that "management is a system with interacting elements each contributing to the overall achievement of the organizational goals".

It makes sense to accept that management is essentially a narrative of the art and the science of the workings of a system and that management has no independent existence of its own. Therefore, identifying the elements of the system is the key to an appropriate conceptualization of management. There is some consensus that the elements of a system in which management is relevant are input, process or transformation and output. This led to the definition of management in the book as, "the act of acquiring inputs, processing these inputs into output with a view to meeting organizational objectives". I argued then, that the definition

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[9] Other proponents of the universality concept are Lawrence A. Appley, F.W. Taylor, and Theo Haimann.

though not unique, had the appeal of turning many thorny "management questions" into just three black boxes and that the key challenge was opening and fully understanding the contents of the boxes and, their associated relations.

While the nexus between input, process and output is essential to a management concept, some extensions need to be made. The first extension is contextual by which it is meant that management should be thought of not only in relation to business but in relation to all **hierarchies of social organizations**. This would thus allow a focus on household management, national management, regional management and global management. Extending the context of management to all levels of social organizations makes it clearer to see that the economic outcomes of nations do not depend only on the efficiency and effectiveness of businesses but also, on (1) the efficiency and effectiveness of households, of governments and of global management and (2) the essential nature of the hierarchical relationships.[10] It will also make sense to suppose that the soundness of national management depends on the soundness of household management, business management, government management and, global management.

Second, the process needs to be extended to include an output-outcome nexus making efficiency and effectiveness essential to management. In a business context, **input** was viewed in terms of a set of economic resources—money, men and materials; **process** in terms of a set of activities leading to and involved in the conversion or transformation of input into output while **output** was viewed in terms of production of goods and services and productivity of the transformation process. The notion of efficiency is essential in management as it is in economics. The notion of effectiveness is also, essential to management because even in economics, production and productivity are not ends, but means. A focus

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[10] An exploitative and unequal global management is more likely to support exploitative and unequal national, business and household management and vice versa.

on ends would therefore, require an extension of the process beyond input and output to output and outcomes.

Third, the process needs to be extended beyond the material process to other processes that are also elements of the system such as the monetary process, the social process, the political process and the international process. Even in business, the material process is obviously just one of a set of interrelated processes. The material process which is, the transformation of physical inputs (raw materials, labour, plant and equipment) into goods and services is associated with environmental sustainability because the raw materials comes from nature and the disposal of waste affect the natural balances of the environment. There are also, the **social relations or process** of production (emphasized in Marxist literature) and the **political relations and process** which literature has shown to be gender structured adding yet another dimension to the issue of the soundness of national management. The **international process** is real: every nation has economic, social and political relations with other nations and is a member of international economic, social, cultural and political organizations.

Leadership

The biblical notion of leadership is that leadership is about service and that the leader is a servant of all. Mathew 20:25-27 makes this very clear:

> 25 But Jesus called the disciples together and said: You know that foreign rulers like to order their people around. And their great leaders have full power over everyone they rule. 26 But don't act like them. If you want to be great, you must be the servant of all the others. 27 And if you want to be first, you must be the slave of the rest.

The leader is part of a body of people and, a servant of the body. His/her needs are subordinate to the needs of the body. The purpose of the body is, the purpose of God Almighty: the body has no independent purpose of its own. This is a radical departure from what leadership is in contemporary business today in nations and the international system. Indeed, the Biblical notion of leadership is not of interest to most researchers of leadership. The literature on development of leadership theories shows that the primary concern was the question: "What qualities distinguish an individual as a leader?" The first set of answers in the 19th century produced the *trait leadership concept* which proposed that leaders are born not made. Thus, most researchers sought to identify a set of attributes that predisposes some to leadership and others to be followers. The often cited seminal works are Thomas Carlyle's *Heroes and Hero Worship* (1841) which identified talents, skills, and physical characteristics as key and Francis Galton's *Hereditary Genius* (1869) which concluded that leadership was inherited.

More recent theories include:

a. the **situational and contingency theories of leadership** (some individual traits do well in one situation but not in another or that situations make leaders);

b. **behavioural theory**: which focuses on evaluating the behaviour of successful leaders;

c. **functional leadership theory**: which focuses on (a) specifying the set of leadership functions that contribute to organizational effectiveness (monitoring, organizing, teaching/coaching, motivating and active intervening) and (b) behaviours that facilitate leadership functions such as consideration (showing concern) and initiating (actions towards task accomplishment);

d. **process leadership theory**: anchored in the belief that leaders are made and views leadership as a process whereby an individual influences others to achieve a set purpose or goals (Northouse 2007);

e. **transactional leadership**: a leader-follower model where the leading and the following are governed by predetermined goals and system of incentives (rewards and punishment);

f. **transformational leadership**: a leader-follower model where the focus is on how the leader motivates followers to achieve effectiveness and efficiency through effectiveness of communication, vision, innovativeness and creativity; and

g. **neo-emergent leadership theory**: gives prominence to the reproduction and dissemination of information in shaping perception of leadership (the press, the electronic media, the internet and the social media are shaping views about leaders and leadership today) which may differ from realities.

Other areas that have interested research include leadership style (the behaviour of leaders as influenced by variables such as philosophy, personality, experience and leadership performance. Following the works of Lewin; Lippit and White (1939); Blake and Mouton (1964) leadership style includes dictatorial (centralizes power and decision making), democratic (power and decision making are decentralized and participatory), *laissez faire* (leader allows free rein to subordinates), narcissistic (self absorbed leader) and toxic (leader leaves organization worse-off). The research on leadership performance is focused on the nexus between leadership and organizational outcomes. One school of thought was that contribution of leadership to organizational outcomes is not as significant as supposed (Meindl & Ehrlich 1987). Another school of thought was leadership contributes significantly to organizational outcomes (Day & Lord 1988; Kaiser, Hogan & Craig 2008).

Leadership shares at least three things with management in thought and practice. First, human view of leaders and leadership is contested and fluid. Second, like management leadership is also contextual so that we can talk of leadership in all social organizational settings such as *household leadership*; *business leadership*; *national leadership* and *global leadership*. Third, leadership like management is embedded in all social, economic and political process.

Belief System, Institutions and Incentives

A belief system is defined as "a set of mutually supportive beliefs that may be religious, philosophical and ideological or a combination of these."[11] A belief system can provide identity and govern thought, choices, actions, output and outcomes and govern daily lives and the overall purpose of life. Religious belief systems such as Christianity provide a comprehensive set of precepts for daily living and, for understanding the meaning and purpose of life.

Given the definition of belief system, it follows that there exists in any nation, a set of belief systems some of which are mutually exclusive. How have nations evolved with such diversity? Some insight may be provided by institutional thought. Douglass North clarified the concepts of institutions and organizations. Now the idea that institutions comprise formal rules (constitutions, laws of parliaments, etc); informal constraints (*conventions, norms of social conduct* and *self-imposed codes of conduct such as honesty and integrity*) and enforcement characteristics while organization, a group of persons joined by a common set of objective functions is an essential part of institutional thought. The concept of institutions draws focus to formal rules, informal rules and enforcement characteristics as critical to economic performance and to belief systems as a major influence on formal rules, informal rules and enforcement characteristics. Indeed, differences in the economic performances of different countries have been linked to differences in institutions.

Enforcement characteristics are critical in the explanation of economic performances. Enforcement characteristics comprise three elements: *effective and impartial system of laws and courts* for the enforcement of formal rules; *societal sanctions to enforce norms of behaviour* and *strong normative personal standards of honesty and integrity* all of which affect the credibility of contracts/agreements. and reduce uncertainty and transaction costs (North 1997). If a nation does not have an efficient, effective and impartial enforcement system, it cannot produce efficient, effective and just

[11] http://en.wikipedia.org/wiki/Belief_system

economic outcomes. Yet, a nation cannot have an efficient, effective and impartial enforcement system if its belief, economic, social and political systems are corrupted.

How Sound is the Nigerian Economic Outcome?

The focus in this section is on the input-output-outcomes nexus while the next section focuses on the ideas/interest/ management/leadership nexus. The focus on the input-output-outcomes nexus requires analysis of: (1) the resource endowment and resource use; (2) output and productivity and (3) outcomes.

Resource Endowment and Utilization

Resource endowment can be classified into human and non-human. I shall briefly review the human and non-human resources that Nigeria is endowed with.

Population, Labour Force, Employment and Unemployment

The 2006 census puts Nigeria's population at 140,437,790. The most recent estimates are based on assumptions about the population growth which range between 2.5% and 3.2%. Table 2 shows the projected growth in population from 2007 to 2011. The estimated population of 164,385,656.0 in 2011 indicates that Nigeria is the seventh most populous nation in the world; the top six are China (1.35 billion), India (1.21 billion), United States (333.33 million), Indonesia (237.64 million), Brazil (192,38 million) and Pakistan (179.24 million). Nigeria has more people than Germany (81.8 million) and United Kingdom (62.3 million) combined or Germany and France (65.35 million) combined. Nigeria also has a very young population with over 41% of the population under 15 years and only about 3% above 64 years.

Table 2: Population, Labour Force, Employment and Unemployment, 2006-2011

Year	Population	Economically Active	Labour Force	Employed	Newly Unemployed	Unemployment Rate
2006	140431790.0	78922666.0	57455701.0	50388650.0	NA	12.3
2007	144925607.0	81448191.0	59294283.0	51763909.0	463323.0	12.7
2008	149563227.0	84054533.0	61191700.0	52074137.0	1587189.0	14.9
2009	154349250.0	86744278.0	63149835.0	50709317.0	3322954.0	19.7
2010	159288426.0	89520095.0	65170629.0	51224115.0	1505997.0	21.4
2011	164385656.0	92384738.0	67256090.0	51181884.0	2127691.0	23.9

Source: National Bureau of Statistics, 2011 and National Population Commission Media Briefing

Table 2 also shows very high numbers for the economically active and the labour force. In addition, the size of the economically active and the labour force is growing along with the population. It is also obvious from table 2 that one, there is significant underemployment of the labour force. This is indicated by the rising rate of unemployment from 12.3% in 2006 to 23.9% in 2011. The growth in unemployment while output was supposed to be rising in excess of 6% contradicts Okun's Law that unemployment should fall beyond a 3% growth in output. Two, the growth in unemployment has significant economic, social and political consequences especially as table 3 and 4 show that the most active population (age 15-44) are the most represented and the unemployed include the highly educated. Three, unemployment has a rural bias. Four, the unemployment rate is higher among women relative to men indicating a gender structure of the under-employment of labour force.

Table 3: Educational Structure of the Unemployed: 2010 and 2011

Qualifications	2010			2011		
	Male	Female	Both	Urban	Rural	Composite
Primary	15.6	21.9	18.7	15.5	22.8	22.4
JSS	19.5	24.2	21.7	16.6	36.9	33.4
SSS	21.2	23.4	22.1	13.9	22.5	20.1
NCE/OND/ NURSING	21.9	22.7	22.2	17.2	22.5	20.2
BA/BSc/BEd/ HND	22.6	28.8	24.6	16.6	23.8	20.2
MSc/MA/ MAdm	12.6	17.5	13.7	3.2	8.3	5.1
PhD	NA	NA	NA	11.1	7.7	9.1
Total	NA	NA	19.7	17.1	25.6	23.9

Source: National Bureau of Statistics *2011 Annual Socio-Economic Report*

Table 4: Gender Structure of the Unemployed: 2010 and 2011

Age	2010				2011		
	Male	Female	Both		Male	Female	Both
15-24	35.6	36.1	35.9	15-24	33.5	38.2	37.7
25-34	19.5	26.7	23.3	25-44	16.3	24.1	22.4
35-44	12.3	21.8	16.8	45-59	12.5	18.0	18.0
45-54	11.8	18.2	14.4	60-64	17.8	21.4	21.4
55-64	14.6	18.4	16.0				

Source: National Bureau of Statistics *2011 Annual Socio-Economic Report*

Non-Human Resources

It is common knowledge that Nigeria is richly endowed with renewable resources (arable land, water, sea) and non-renewable resources (oil, gas and solid minerals). Nigeria is 7th in proven gas reserves and 10th in proven oil reserves. Every geopolitical zone in Nigeria is well endowed with resources as our team in the Office of the Chief Economic Adviser to the President discovered. Figure 2 shows the eleven economic clusters and the potentials of each cluster as developed by the CEAP Team.[12] While figure 2 does not

[12] The CEAP Team comprised Professor Adeola Adenikinju (Team Coordinator), Professor Sarah Anyanwu, Dr. Abiodun Adedipe, Dr. Eric Ogunleye, Dr. Tochukwu Nwachukwu, Dr. Bulus Dauda, Mr. Kayode Olaniyan, Mr. Yahaya Husseini, Dr. Retta Akingbade, Mrs. Osunbote and

fully capture the endowment of Nigeria, it shows two important facts. First, the Almighty has truly blessed Nigeria with human and non-human resources. Second, ***there is no geo-political zone, state or local council that is not richly blessed.***

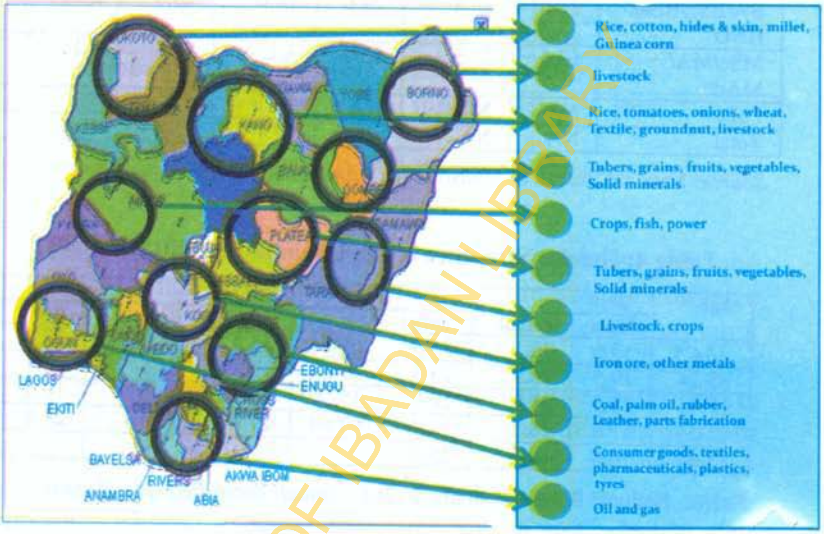

Fig. 2: Endowments of eleven economic clusters in Nigeria

That Nigeria has concentrated on exploiting hydro-carbon resources points to substantial under-utilization and in many cases, mis-utilization of its endowment. Table 5 shows the endowment of just one state (Nasarawa State) in solid minerals. The diverse industrial applications indicate that some progress in efficient and effective use of its endowment would make Nasarawa State less dependent on the Federation Account for its revenue and more efficient and effective in creating diversified economic values, jobs and

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Mr. Apalowo. Together, they brought to public service an incredible and uncommon combination of intelligence, integrity, honesty and commitment. God will reward them richly for their services. I could not have had a better team.

sustainable development. If every state is able to use its resources efficiently and effectively, it would cumulate to accelerated economic development that would match or exceed the so called BRIC nations. Indeed, the potential output, given Nigeria's combination of human and non-human resource endowments should place it not in the league of the top 20 but possibly in the league of the top 10 nations given that Nigeria ranks 7th in population, 7th in gas reserves, 10th in crude oil, and probably similar ranking for many other resources.

Table 5: Selected Solid Minerals and Industrial Use in Nasarawa State

MINERAL	INDUSTRIAL APPLICATION
Beryl (Emerald, Aquamarine and Heliodor)	• Major source of the metal Beryllium alloys with copper to produce hard, fatigue resistant metal of high tensile strength. • Extracted Beryllium is used as a moderator in nuclear reactions. • Oxide (Beo) derived from Beryl is an excellent refractory withstanding temperatures of up to 2,750°C
Sapphire	• Used as watch jewels, bearings in scientific instruments. Also for ornamental purposes.
Tourmaline	• Used in the manufacture of pressure gauges to measure transient blast pressure. Also for ornamental purposes.
Quartz	• Used in glass and silica bricks; paint scouring, soaps and sand paper. • In its powdered form, it is used in porcelain, paint, sand paper, scouring soaps and as a wood filter. • It is used in construction mortal (sic) and cement and flux metallurgy.
Amethyst Garnet Topaz	• Mostly used for ornamental purposes. • Sometimes used for the manufacture of abrasives, coated paper, grindstones, sharpening stones and scouring powders.
Zircon	• It is a major source of Zinconia (Oxide of Zirconium metal) used for refractories, muffle furnaces, fire bricks for electrical porcelain, best sparking plugs, for refining precious metals, roof

	of electrical furnaces, white opacifier in enamel industry, paints and lacquers in abrasives and polishing powder. • Used as insulator of heat and electricity.
Tantalite	• Source of Tantalum used in the production of special steels especially those for dental and surgical instruments. • Manufacture of space crafts
Cassiterite	• Tin plating for making Tin cans. • Making alloy solders (Tin 50%, Lead 50%). Used for sealing of Tin cans, automobile radiators and electrical equipment.
Columbite	• Source of Niobium used as an alloy of steel to form 'weldable' high speed steel for radio transmitting valves, heat sensitive detective devices called barometer, for jet engines and other aircraft components, etc.
Ilmenite	• Source of Titanium dioxide which is used for white paint pigments. • Source of Titanium metal used for ferro titanium alloys. • Used as de-oxidizer and for stabilizing ore.
Galena	• Lead (metal) used in storage batteries • Paints (white lead) PbC03 alloys for various uses.
Iron Ore	• For making cast iron, wrought iron, steel for various uses. Also used for making alloys for various uses.
Barytes	• Source of barium metal used in alloy. • Barium with lead and calcium for bearings – alloy with aluminum magnesium and nickel for radio valves, with iron as Barium ferrite for permanent magnets. • Used as drilling mud in the petroleum industry
Feldspars	• Used in glass manufacturing, ceramic industry as part of the body of the ware and as a constituent of the glazes on pottery, tiles, porcelain, insulators.
Limestone	• Source of calcium metal used as a de-oxidizer and scavenger in refining copper, aluminum, chromium and nickel and reducing uranium oxide to uranium. • In cement manufacture, in metallurgy as flux, as filter in paints, in construction work and for hydrated lime production

Mica	• Muscovite used chiefly as electrical insulator, production of generators, telephone, condensers. • Used as fillers in production of tyres and tubes and as dry lubricants.
Cooking coal	• For producing pig iron, steel production, as fuel to provide heat, to raise steam for power stations, railways and domestic purposes and for producing coal gas.
Talc	• In paints as extender; In ceramics for tiles, electrical porcelain and table ware, tips of barriers and for refractory purposes and in the cosmetic industry, etc.
Clays	• For building bricks, flower pots, floor tiles, fencing bricks, etc.
Glass sand	• Glass industry, for coloured and white glass containers, bottles. Also as synthetic marble and for table ware, sanitary ware.
Dolomite/Marble	• For refractory furnace, building materials, source of carbon dioxide, terrazzo tiles, floor and wall tiles.
Salt	• For food seasoning and preservation • In chemical industry to prepare soda ash, caustic soda and sodium sulphate, etc • For chlorine production.
Chalcopyrite	• To manufacture sulphur ointment for skin medication, sulphuric acid, etc.

Source: *http://www.nasarawastate.org/articles/52/1/Nigerias-Home-of-Solid-Minerals/Page1.html* (sic)

Output and Productivity

GDP Growth and Unemployment

The Gross Domestic Product (GDP) is the aggregate of economic values added by all economic agents (citizens, households, businesses and government) in a given year. The growth of GDP has been uneven since independence alternating between periods of high growth and periods of low growth. Based on data from the National Bureau of Statistics, the period 2005-2011 has been a period of high growth as shown in figure 3 below. Yet, as figure 3 clearly shows, the period was also a period of rising unemployment. While annual growth averaged 6.8%, the annual unemployment rate averaged 16.7%. More worrisome however, is that as growth rose unsteadily from 6.51% in 2005 to 7.69% in 2011, unemployment rose steadily from 11.9% to 23.9% in the same period indicating that unemployment more than doubled in seven years!

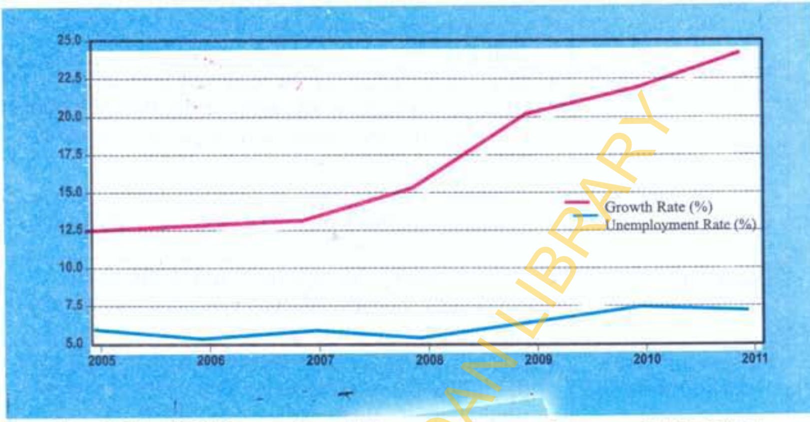

Fig. 3: Real GDP growth and the rate of unemployment, 2005-2011

Often it is not clear what is driving the growth as policy analysis in Nigeria in recent times has focused on sector-driven contributions. Economic theory however, directs focus to the productivity of inputs. Figure 4 shows **output to labour** and **output to capital ratios** for the period 2006-2010. The upper panel shows that output to capital ratio (average productivity of capital) has been declining even as capital to labour ratio was rising. This suggests that capital resources are inefficiently employed. On the other hand, the lower panel shows that **output to labour ratio** (average productivity of labour) was rising in 2006-2010 indicating rising productivity of labour. The sustained fall in output performance of capital and the sustained rise in output performance of labor indicates inefficiencies in resource use. For capital, it indicates excess capacity and for labour, less than optimal use of labour resources as there is still ample room for input substitution. This type of inefficient use can explain the ***phenomenon of unemployment growth*** that has become peculiar to Nigeria.

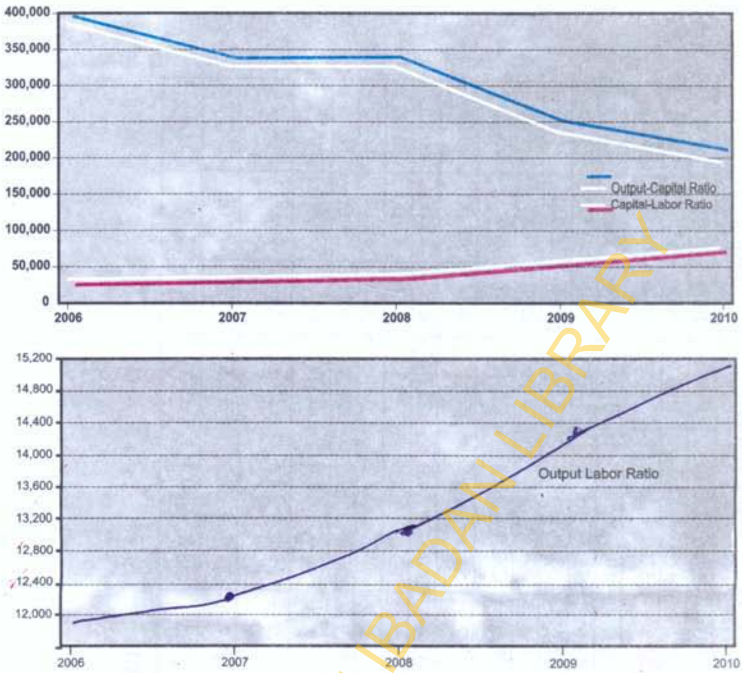

Fig. 4: Key measures of average input productivity, 2006-2010 (naira)

Table 6 shows significant capacity under-utilization in Nigerian manufacturing. The weighted average capacity utilization in 2008 was 22.76% less than the corresponding level in 1975! In addition, Nigerian manufacturing has fared worse in consumer durables—radio, TV and communication equipments, motor vehicle assembly and tyres and tubes—and in basic industrial chemicals. These numbers suggest that Nigeria's match to industrialization which gained momentum in the 1970s lost steam in the early 1980s and, thereafter, it went into reverse gear and by 2010 much of the gains had been lost.

Table 6: Capacity Utilization in Nigerian Manufacturing Industries, 1975-2008 (%)

Sub – Sector	1975[1]	1980	1985	1986	1990	1995	2000	2005	2008
Bakery Product	66.4	74.4	42.7	41.5	42.3	19.1	30.1	65.00	66.00
Miscellaneous Food Preparation	82.4	-	22.5	32.2	35.8	-	39.2	80.00	43.50
Beer & Stout	76.0	91.9	59.0	49.8	59.2	31.9	49.4	53.00	42.50
Textiles	79.7	84.4	44.6	41.3	52.2	44.3	21.4	48.00	73.25
Leather Products	77.2	78.4	25.5	33.1	53.0	27.6	37.9	85.00	74.75
Saw Milling	72.2	68.3	-	-	-	43.8	26.8	NA	73.50
Paper Manufacture & Products	58.7	67.6	28.6	28.3	34.1	35.4	25.1	NA	63.13
Basic Industrial Chemical	80.8	-	53.2	54.5	60.5	49.1	30.4	68.00	40.00
Paints	-	71.0	37.4	40.8	34.0	31.7	47	35.00	60.25
Soap & Perfumes	-	64.0	32.5	30.6	48.8	35.3	45.6	43.00	52.00
Tyres & Tubes	-	-	36.1	45.1	57.2	-	31.8	80.00	17.25
Plastic Products	69.8	74.1	39.9	43.8	49.5	28.3	45.1	53.00	71.25
Basic Metal Industries	72.4	66.6	-	22.0	15.0	25.6	0	72.00	60.50
Radio T.V & Communication Equipment	100.0	43.3	33.9	31.1	42.3	29.8	36.7	51.00	64.54
Motor Vehicle Assembly	84.0	88.5	26.1	24.9	27.9	35.1	41.9	70.00	15.25
Average Capacity Utilization (%)	76.6	70.1	38.3	38.8	40.3	29.29	36.1	54.80	53.84

Source: Central Bank of Nigeria, *Statistical Bulletin*, 2010

GDP Structure and Development

It is now commonly understood that growth is not development. The Nigerian economy illustrates this in (a) the phenomena of unemployment increasing growth and reversal of the progress achieved in 1975 and 1980 in many sectors in manufacturing (see table 6). But even more graphic is the structure of GDP, National Income and Gross National Expenditure.

Figure 5 and table 7 show the structure of real GDP between 1961 and 2010. Taking 1961, 1980 and 2010 as sign posts, it is obvious that the 1980 structure was better in terms of development-oriented structural changes than either the 1961 or 2010 structure. By 1980, agricultural share had declined from 64.3% to 20.1%. The sectors that gained were industry from 5.5% in 1961 to 36.3% in 1980 and building and construction from 4.45% to 9.28% in the same period. All three components of industry also gained relatives shares: crude (from 0.4% to 25.5%), solid minerals (from 0.83% to 2.09%) and manufacturing (from 4.6% to 8.7%). By 2010, much of the gains had been reversed: industry fell from 36.3% in 1980 to 20.8% (crude lost 9.2% in 2010 while over the same period, solid minerals lost 1.76%, manufacturing 4.1% and building and construction, 3.83%. Between 1980 and 2010, agriculture gained back 21.6% of the shares it lost in 1980 while services gained 2.4%. These numbers indicate that while significant progress was made in the first 20 years of independence in development-oriented structural change, progress was reversed after 1980. It is important to note that the sectors that have the highest potential to create decent jobs (oil and gas, manufacturing and building and construction) are the ones that lost shares between 1980 and 2010.

Fig. 5: Changing structure of Nigeria's gross domestic product, 1961-2010

Table 7: Sectoral Structure of Real GDP, 1961-2010 (%)

Sectoral GDP	1961	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010
Agriculture	64.3	58.7	47.5	23.0	20.1	30.5	34.2	33.7	36.7	41.0	41.7
Industry	5.8	8.8	16.3	31.0	36.3	42.4	39.7	38.8	35.4	29.7	20.8
Crude Oil	0.4	1.8	7.2	21.3	25.5	36.4	33.5	33.2	30.8	25.7	16.3
Solid Minerals	0.83	0.94	0.91	2.22	2.09	0.80	0.27	0.28	0.30	0.26	0.33
Manufacturing	4.6	6.1	8.2	7.4	8.7	5.2	5.9	5.3	4.3	3.7	4.2
Building and Construction	4.45	4.34	5.20	9.84	9.28	2.62	1.75	1.85	1.98	1.44	1.92
Wholesale and Retail Trade	12.4	13.5	12.8	19.7	19.3	14.6	14.7	14.3	13.6	12.9	18.1
Services	13.0	14.6	18.3	16.6	15.0	9.9	9.7	11.4	12.3	15.0	17.4

Source: Central Bank of Nigeria, *Statistical Bulletin*, 2010

Tables 8 and 9 show the structure of Gross Domestic Income and Gross Domestic Expenditure between 1981 and 2010. These NBS data sets are probably less credible than the GDP data but that is what is available. The two tables reveal three crucial facts that are relevant from developmental perspectives. First, the share of compensation of employees has a sharply declining trend while the share of operating surplus has a sharply increasing trend. Second, the share of gross fixed capital formation in 2010 is just a third of what it was in 1981. Third, the economy has become more open in the aftermath of the Structural Adjustment Years. The **declining share of compensation of employees and the rising shares of operating surplus together are consistent with observed rise in income inequality and poverty**.

Table 8: Structure of Gross Domestic Income, 1961-2010 (%)

Component of Gross Domestic Income	**1981**	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**
Compensation of Employees	18.3	16.1	5.9	3.6	4.0	5.2	3.9
Operating Surplus	68.1	70.3	84.4	91.6	92.5	91.6	93.9
Depreciation	5.65	5.96	4.73	1.00	0.68	2.05	0.92
Indirect Taxes	8.31	7.97	5.07	3.80	2.90	1.15	1.46
Subsidies	0.36	0.31	0.10	0.05	0.04	0.04	0.13

Source: Central Bank of Nigeria, *Statistical Bulletin*, 2010

Table 9: Structure of Gross Domestic Expenditure, 1961-2010 (%)

Component of Gross Domestic Expenditure	**1981**	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**
Consumption Expenditure	69.9	79.8	67.9	81.2	60.9	82.0	73.9
Gross Fixed Capital Formation	35.2	12.0	14.3	7.1	7.0	5.5	13.6
Exports + Imports	48.3	25.9	53.0	59.8	71.4	50.7	78.6

Source: Central Bank of Nigeria, *Statistical Bulletin*, 2010

The declining share of national investment is consistent with (a) infrastructural decay and (b) capital flight. The growing share of exports and imports and particularly, the surplus in the balance of trade are consistent with capital flight. Table 10 does support the position that openness may have facilitated the outflow of scarce foreign exchange resources. In the 30 years between 1981 and 2010, Nigeria's current account surplus averaged ₦656.5 billion cumulating to about ₦19.7 trillion. Much of these scarce resources were committed to paying external debts, for technical assistance and for related products of international development finance that have not and could not have delivered development.

Table 10: Summary of Current Account, 1981-2010 (Billion Naira)

Variable	1981	1985	1986	1990	1995	2000	2005	2010	1981-2010	Cummulative
Current Account	-2.0	6.5	2.2	49.7	236.1	1513.3	1851.6	3683.5	656.5	19695.0
Exports of Goods and Services	11.5	12.8	100.0	99.5	718.3	2440.3	4664.8	13441.0	2367.0	71010.0
Imports Goods and Services	13.5	6.3	7.8	49.8	482.2	927.0	2813.2	9757.9	1710.5	51315.0

Source: Central Bank of Nigeria, *Statistical Bulletin*, 2010

It is worth recalling that the conceptualization of soundness produced a soundness test with three elements: **fundamental quality** (purpose, justice, wisdom and character), **depth and thoroughness** and **consequence** (strength, security, reliability and stability). The first two elements apply more to analysis of the soundness of management and leadership which is the subject of the next section (section four). The third element applies directly to outcomes because **outcomes are fundamentally consequences of prior social, economic and political process.**

In evaluating outcomes, I focus on (1) poverty and inequality; (2) education and health and (3) competitiveness and sustainability. Also, I rely mainly on official Nigerian data on poverty, inequality, education and health and on global indexes such as the Human Development Index (HDI) and the Global Competitiveness Index (GCI) for analysis of competitiveness and sustainability.

Poverty and Inequity

The literature suggests that high initial poverty and inequality limit the effects of economic growth on poverty reduction. It is thus, possible for economic growth to increase poverty and inequality. Tables 11, 12 and 13 show the trend of poverty indices, the geo-political structure of poverty and the geopolitical structure of inequality in Nigeria respectively. Two key findings reported by the NBS in its Nigeria Poverty Profile 2010 released in March 2012 were (1) paradoxically, the poverty rate was rising as the economy grew and (2) the trend of poverty and inequality was higher in 2010 relative to 2003/4. In addition, the NBS projected that the rising trend of poverty and inequality may continue in 2011. The rising trend of poverty and inequality are unsound.

Table 11: Poverty in Nigeria, 1980 – 2010

Year	Poverty Incidence (%)	Estimated Population (million)	Population in Poverty (million)	Non-Poor	Mode-rately Poor	Extreme Poverty
1980	27.2	65.0	17.1	72.8	21.0	6.2
1985	46.3	75.0	34.7	53.7	34.2	12.1
1992	42.7	91.5	39.2	57.3	28.9	13.9
1996	65.6	102.3	67.1	34.4	36.3	29.3
2004	54.4	126.3	68.7	43.3	32.4	22.0
2010	69.0	163.0	112.47	31.0	30.3	38.7

Source: National Bureau of Statistics (NBS). *Nigeria's Poverty Profile, 2010*

Table 11 shows the trend of poverty between 1980 and 2010. Three main points are worth noting. First, while the population in 2010 is 2.51 times the population in 1980, the incidence of poverty has also grown by 2.54 times the corresponding level in 1980. Second, the population of Nigerian citizens in poverty in 2010 is 6.58 times the population of the poor in 1980: whereas, 17.1 million Nigerians were poor in 1980, 112.47 million lived in poverty in 2010. Worse still, the population in extreme poverty in 2010 is 6.24 times that of 1980. Clearly, **majority of the Nigerian population were better off in 1980 than in 2010 – thirty years later**! Can we validly conclude from these indicators that Nigeria is a stronger, more secure, more reliable and more stable enduring nation? Simply put, we cannot.

The demographic structure of poverty in the literature includes gender, and geopolitical zones. Scholars, including myself and my research associates, have shown that poverty is gender structured, with women often worse-off (see for example, Garba, Akanji and Isiugo-Abanihe 1997). Scholars, including Professor Sylvester Abumere who was of the Department of Geography in the Faculty of the Social Sciences, have drawn attention to geopolitical disparities in Nigeria. Table 12 shows the nature of the disparities as at 2010. First, by all indicators of poverty, the North West and the North East have the highest percentage. Second, the South West and the South South have the lowest poverty rates. Given that the North West is the most highly populated in Nigeria, the head count population number is very large. These numbers are indicative of high disparities in economic wellbeing across Nigeria's six geopolitical zones. In addition, the numbers mirror disparities in economic opportunities and development that make a strong, secure and stable polity simply impossible.

Table 12: Geo-Political Structure of Poverty in Nigeria, 2010

Zone	Food Poverty	Absolute Poverty	Relative Poverty	Under $1 per Day
North Central	38.6	59.5	67.5	59.7
North East	51.5	69.0	76.3	69.1
North West	51.8	70.0	77.7	70.4
South East	41.0	58.7	67.0	59.2
South South	35.5	55.9	63.8	56.1
South West	25.4	49.8	59.1	50.1

Source: National Bureau of Statistics (NBS). *Nigeria's Poverty Profile, 2010*

Table 13 shows two key facts about the trend of inequality in Nigeria. First, at the national level, Nigeria's coefficient of income inequality (Gini Coefficient) rose by 4.1% indicating that inequality rose in Nigeria between 2003/4 and 2010. Second, across states and across geopolitical zones, the trend of inequality was not uniform. Ten states had lower levels of inequality in 2010 than in 2003/4 with the highest improvements in Bauchi (28.9%), Lagos (26.2%) and Kwara (25.9%) while in 26 states and the Federal Capital Territory (FCT), income inequality rose. The states with the largest increase in inequality were Yobe (59.3%), Taraba (43%) and Delta (31.1%). Of the six geopolitical zones, income inequality fell only in the North Central (-5.4%); the South East (18%), South South (12%) and the North East (8.6%) were the worst performers. Before the NBS Nigeria's Poverty Profile 2010 Report, the UNDP in its Human Development Report 2008-2009; *Achieving Growth with Equity* indicated that Nigeria was one of the countries with the highest rate of inequality in the world: 65% of assets were in the hands of 20% of the population while the bottom 10% owned just 1.43% of assets.

Table 13: Geo-Political Structure of Inequality in Nigeria, 2010

Zone	More Unequal	Less Unequal	Change in Inequality Index in 2010 Relative to 2003/4
North Central	Benue, Niger	Kogi, Kwara, Nasarawa, Plateau	-5.4%
North East	Borno, Gombe, Rivers, Taraba, Yobe	Adamawa, Bauchi	8.6%
North West	Jigawa, Kaduna, Kano, Kebbi	Katsina, Sokoto, Zamfara	0.7%
South East	Abia, Anambra, Ebonyi, Enugu, Imo	-	18%
South South	Akwa Ibom, Bayelsa, Cross River, Delta, Edo,	-	12%
South West	Ekiti, Ogun, Ondo, Osun, Oyo	Lagos	0.2%
FCT	FCT	-	26%
National	All of Above	All of Above	4.1%

Source: National Bureau of Statistics (NBS), *Nigeria's Poverty Profile, 2010*

Education and Health

In both the Global Competitiveness Index of the World Economic Forum and the Human Development Index, education and health are key pillars of human development and global competitiveness. In both Indexes, Nigeria does poorly in both education and health. In the UNDP's Human Development Index 2011, Nigeria ranked 156th out of 187 in 2011 with life expectancy of 51.9 years and mean year of schooling of 5years. In the 2011-2012 Global Competitiveness Index (GCI), Nigeria ranked 127 out of 142 on the weighted aggregate index; 140th in health and primary education; 114th in higher education and 106th in technological readiness. The very low rankings on the GCI point to very weak education and health outcomes.

Figure 6 and table 14 provide additional information on education while table 15 shows some key health indicators. Figure 6 shows that the enrolment in primary schools, polytechnics and universities declined from 2006 even as the numbers of primary schools, polytechnics and universities increased. On the other hand, enrolment and numbers both increased in the case of colleges of education. The declining pattern of enrolment in primary education given the high rate of population growth suggests that more children of school age are not in school. The 2010 Literacy Survey of the NBS indicated that 3 million children in age group 6-14 never attended school while a million dropped out of school.

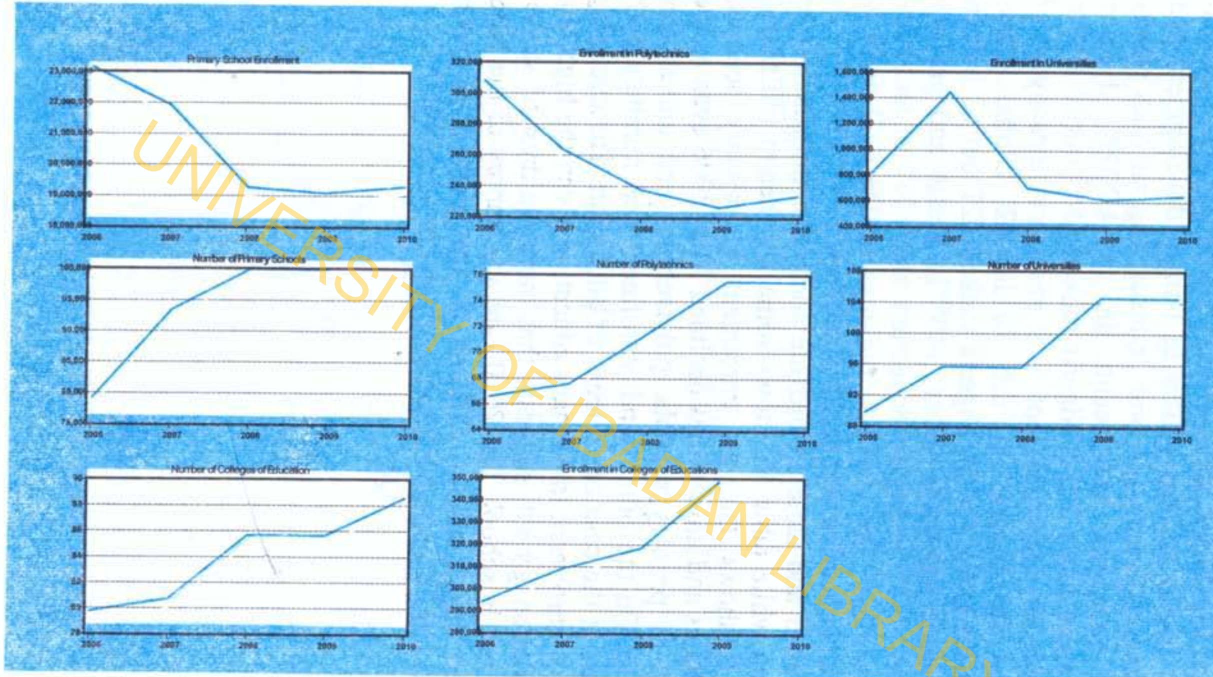

Fig. 6: Number of selected educational institutions and enrolment, 2006-2010

Of those that proceed from primary to secondary stages, the failure rates have become a national embarrassment as Table 14 shows. With less than 25% of those that sat for the Senior Secondary School examinations qualifying for admission into colleges of education, polytechnics and universities in 2011, the secondary school system is both inefficient and ineffective. Given that the primary school is the foundation of the education system, the mass failure in WAEC and NECO are symptomatic of the collapse in primary education.

The quality of university education and indeed all tertiary education is the subject of much debate. The dominant argument is that quality is declining and there is substantial evidence to justify the point. First, the top Nigerian university on the webometric ranking is University of Benin and it is ranked 1,639 in the world and 22 in Africa. Second, employers complain about quality of graduates in the labour supply line. Unemployment figures already show significant unemployment of graduates while casual observation points to significant underemployment of graduates of tertiary institutions.

Like poverty and inequalities, the Nigerian educational system is indicative of a nation in crisis. The depth of the crisis is indicated in the geopolitical pattern of enrolment and performance with the North West and the North East lagging behind the three Southern zones by very wide margins. Much has been said about the children in the parallel system of education (*Almajiri* or *Tsangaya*) who are disadvantaged because they are unfunded by their parents or by the government and hence, are unable to make the same type of progress as children in parent and government-funded western educational system.

Table 14: Performance in WAEC and NECO: 2003 -2011

WAEC May/June				NECO June/July				NECO Nov/ Dec			
Year	No of candidates	5 credits passed including English and maths	Percentage 5 credits passed including English and maths	Year	No of candidates	5 credits passed including English and maths	Percentage 5 credits passed including English and maths	Year	No of candidates	5 credits passed including English and maths	Percentage 5 credits passed including English and maths
2003	1, 039, 028	200, 148	19.2%	2003	902, 464	247, 437	27.42%	2003	335, 311	33, 663	10.04%
2004	1, 051, 246	191, 938	18.26%	2004	897, 573	147, 810	16.47%	2004	293, 883	60, 712	20.66%
2005	1, 091, 763	203, 991	18.68%	2005	877, 138	83, 411	9.51%	2005	266, 905	37, 200	13.94%
2006	1, 184, 223	110, 417	9.32%	2006	953, 786	25, 8649	27.12%	2006	368, 598	50, 783	13.78%
2007	1, 275, 832	98, 133	7.69%	2007	1, 015, 396	309, 811	30.51%	2007	363, 931	21, 503	5.91%
2008	1, 369, 171	72, 118	9.29%	2008	1, 158, 103	649, 548	56.09%	2008			
2009	234,682	-	25.99%	2009	-	-	-	2009			
2010	324,998	62,295	20.0%	2010	-	-		2010			
2011	1,160,561	-	<25%								

Source; National Bureau of Statistics (2008)

Table 15 paints a very dismal picture of the state of Nigeria's reproductive health which like all outcomes has a distinct geopolitical character. The national fertility rate of 5.7 is high and is driven up by the higher rates in the North West and North East. Just about 35% of pregnant women deliver in a health facility with the North East and North West well below the national average. High percentages of children have no vaccination (29% nationally and as high as 49% in the North West) and suffer from severe stunted growth (41% nationally and as high as 53% in the North West). The national infant mortality rate of 75 per 1000 is the 207th in the world. The percentage of households with access to safe drinking water and electricity indicates that at least 44% and 50% of households lack safe drinking water and electricity respectively. In health as in education, poverty and inequality, there is ample evidence that Nigeria is moving further away from strength, security and stability.

Table 15: Summary of Performance of Health Related Indicators, 2008 NDHS

	Fertility Rate	Birth Delivered in Health Facility (%)	Children 12-23 Months not vaccinated (%)	<5 years Children with moderate to severe stunted growth (%)	Infant Mortality per 1000	<5 Mortality per 1000	Households with Improved Source of Water	Households with Electricity
North Central	5.4	41	23	44	77	135	50	36
North East	7.2	13	33	49	109	222	34	24
North West	7.3	8	49	53	95	153	68	64
South East	4.8	74	17	22	84	138	59	56
South South	4.7	48	10	31	84	138	59	56
South West	4.5	70	13	31	59	89	67	71
Rural	6.3	25	33	45	95	191	45	31
Urban	4.7	59	18	31	67	121	75	85
National	5.7	35	29	41	75	157	56	50

Source: Federal Ministry of Health, *2008 Nigeria Demographic and Health Survey (NDHS)*

Competitiveness and Sustainability

The data on output and outcomes indicate a disturbing trend and even more disturbing regional patterns of inefficiency and ineffectiveness. With existing trends of inefficiency and ineffectiveness, not only is Nigeria not competitive now as indicated by global indexes, the trend and patterns in education and health threaten the future competitiveness and stability of Nigeria.

An earlier study of open conflicts when states and their markets are failing (Garba and Garba 2002) argued that:

> When a nation dissolves or fragments, the pre-existing state, its institutions and economic system completely fail and give way to new ones. When a nation dissolves or fragments; the failure of its state, institutions and economic system are self-evident. However, the dissolution or fragmentation of a nation is the endpoint of a process. In other words, a process of decline in the performance of a state, its institutions and its economic system precedes its dissolution. Thus, there exist a *dissolution lag* between onset of failures and dissolution. In the cases of Soviet Union, Yugoslavia and Somalia, decline in performance of the state, institutions and economic system preceded their dissolution or fragmentation. The length of time between onset of decline and eventual dissolution differs from nation to nation and empire to empire.

The implication is obvious for this lecture: the unsoundness of output and outcomes are danger signals. It is well established by the trend and structure of actual output relative to endowment and, the outcomes relative to endowment that Nigeria is uncompetitive and failing a majority of its citizens. However, the nature, trend and pattern of the unsoundness indicate a far more serious problem - sustainability. The progression from labour strikes against unpopular policies in the 1980s; to agitations by ethnic nationalities (in the Niger Delta) in the 1990s; to militancy (in the Niger Delta, South East and South West) and eventually to terrorism (North East, West and Central) in the 21st century are indications of a progressive erosion of the authority of the State and, a growing danger to the survival and stability of the nation. It is important that we fully understand (1) the root causes and (2) that a lack of depth and thoroughness in our approach to the problems are not only doomed to fail but that every failure takes our country to the brink of failure.

How Sound is Economic Management and Leadership in Nigeria?

It is paradoxical that while Nigeria ranks at the top-end of global endowment indexes, it is ranked at the low-end of most global indexes on output, outcomes and economic management.[13] It is also a paradox that Nigeria is a rich nation of poor people. The first paradox and the second; have raised the idea of a resource curse that somehow, the rich natural resources are a curse. The idea is one of the many ideas in the domain of economics and development that makes no sense to me for in my view, it flies in the face of both reason and evidence. For if richness in resources were a curse why are resource rich nations such as the United States, China, India, Brazil, Saudi Arabia not likewise cursed? Even if for the sake of argument, the curse is only in the case of African countries like Nigeria, that still leaves at least two key questions: (1) who placed the curse? and (2) for what purpose?

The main argument in this lecture directs us to management and leadership and to ideas and interests that shape the management and leadership in households, in businesses, in governments and at the global level. Starting with the twins—ideas and vested interest—we can identify the ideas that dominate at the global level and in Nigeria. From 1936 to 1972 the ideas of Keynes dominated macroeconomic management. After the Gold Standard collapsed, and

[13] As indicated earlier, Nigeria is ranked 7th in gas reserves, 10th in crude oil and 7th in population. In contrast, Nigeria is ranked 127th out of 142 on the 2011-2012 GCI, 156th out of 187 on the 2011 HDI and, 207th in infant mortality.

especially after Prime Minister Thatcher and President Ronald Reagan took office in 1979 and 1980 respectively, the ideas of the neoliberals became dominant. Most countries eventually liberalized and deregulated either by choice or by coercion.

Like the United Kingdom and the USA, Nigeria also transited from Keynesian type macroeconomic management to a neoliberal type. There is likely to be much debate about the turning point. In my view, the turning point was 1975 when the regime of General Yakubu Gowon was toppled. From 1960-1975, a powerful academia-civil service elite led by Professor Aboyade and the Super Perm Secs built on Keynesian foundations the idea of using development planning to take control of the commanding heights to promote an egalitarian society among other goals. When Gowon was toppled, the powerful academia-civil service elite lost out and the transition to neo-liberalism was well underway. It took 10 years for the transition from Keynesianism to neo-liberalism to be completed by President Babangida from 1 January 1986. The changes between 1976 and 1986 were profound in terms of ideas/vested interests, management and leadership. The key tools of fiscal policy and the annual budget shall be used to connect (1) ideas/vested interests to choices and actions and (2) connect the choices/actions to output/outcomes.

The Soundness of Ideas and Vested Interests

The ideas that shape both private and public economic management in Nigeria do not originate from Nigeria. This is clear from the structure and content of undergraduate and graduate curricular of economics, marketing, management, accounting and other allied disciplines. As stated above the ideas of Keynes and the idea of neoliberalism have dominated macro economic management.

In both the United States and Europe, the vested interests that promote the competing ideas of Keynes and the neoliberals are very clear. The Democrats in the United States are allied to labour unions just like the Labour Party in the

United Kingdom while the Republicans (US) and the Conservatives (UK) are allies of big corporations. Thus, the Democratic/Labour Party tends to support labour friendly policies such as progressive tax increases, expanded social programmes and regulations of businesses which favour labour and the middle class. In contrast, the Republican/Conservative Parties tend to support tax cuts, defense spending, corporate subsidies, deregulation and liberalizations which favour big corporations.

In Garba and Garba (2003), we showed that the United States and its allies dominated the market place of ideas; they built the global trade and financial architecture to satisfy their interests. We showed that the period between 1944 and 1999 consisted of three phases:

a. **1944-70**: the institutional building phase during which the IMF, the World Bank, the GATT and the development finance industry comprising the OECD and national vehicles such as USAID, DFID, etc., were developed;
b. **1971-88**: the age of great instability (collapse of Gold Standard, oil price shock, stagflation, trade and exchange rate liberalization, deregulation, privatization and the associated financial crisis-external debt crisis, savings and loans crisis, etc);
c. **1989-99**: the golden age triggered by victory of the United States and its allies over the Soviets and its allies, the resulting economic collapse of the East European countries and the gains from crisis in Argentina, Mexico, East Asia and Russia.

It was clear to us that the ideas and interests that shaped the global economy from 1944 was unsound because among other things, it favoured powerful nations, financial organizations and transnational companies; the global economy had become more volatile particularly after the collapse of the Gold Standard and that because of asymmetries, the global economy was inefficient. In addition, the richer countries "protect their businesses and systemic stability by bailing-out their businesses operating in foreign countries in financial crisis and bailing-in those whose domestic losses threaten systemic survival". Further, that "in choosing to hinder the market from disciplining speculators and risky investors, bail-in and bail-outs create a moral hazard problem that makes the international financial system inherently volatile and ensures that only the weak pays the costs of financial crisis; and deregulation is known to be behind "just about every banking crisis in recent times".

We anticipated a change in the global economic order which led us to the following conclusion in the paper:

> Although, some debate is raging about the desirability and structure of a new international financial architecture, it is unlikely to bring about reforms. Similar debates in the 1960s and early 1970s had no effect on the shift towards liberalization and deregulation. The documentary evidence shows that changes have occurred only when the existing structures have imposed heavy costs on powerful nations and their big businesses. In addition, a change in the balance of global power is more likely to bring about changes in the global financial system than advocacy by anti-globalization groups. However, the changes are unlikely to be those desired by anti-globalization groups. Although early signs of shifts in the balance of global power could be identified, when exactly it would occur is not known. Similarly, the precise form of the change in the global financial system and the precise distribution of gains are unknown. Regardless of what the future outcomes are, it is critically important for countries like Nigeria who are limited to the most inefficient segment of the international financial system to overcome the illusions that locked them into retrogressive and

> destabilizing financial relations.[14] If the "developing countries" do not overcome the illusions, other things being equal, the future of their economies and people may be worse than the present.

How do all of these affect Nigeria? Nigeria is a part of the global system and Nigerian academics, businesses and government agents acquire much of their ideas/knowledge from the West. Departments pride themselves that their curricular is of international standard. I am convinced that by allowing international ideas with underlying vested interests to rule our thoughts, we collaborate in limiting our capacities to solve the unique problems that may confront our households, businesses and governments.

Nigeria's macroeconomic management transited from development planning and Keynesian type macroeconomic management between 1962 and 1985 to a neoliberal type regime from January 1, 1986. As argued above, it took 10 years from 1975 for Keynesianism to lose-out to neoliberalism in the 1986 budget. The changes between 1976 and 1986 in the management of the economy were profound as are, the consequences.

It is my view that the ideas of development planning and of taking commanding heights as preconditions for effective planning embedded a sounder set of interests than the idea that government has no business with business and citizens should cease expecting government to provide for them. The latter ideas appear to be pro-business like the neoliberalism of Reagan and Thatcher. However, neoliberalism in Nigeria a peripheral state is not like neoliberalism in the USA or the UK. This is because the interests that drive neoliberalism in

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[14] The most inhibiting illusions are (a) the idea that development financial agencies (multilateral and bilateral) are motivated by development and not financial objectives, (b) the idea that the agencies are donors rather than import-export banks or agencies, (c) the idea that unless former colonies borrow to import capital goods they will not develop and (d) the idea that liberalization is necessary for economic growth.

the United States and the UK and other developed countries is the same driving neoliberalism in Nigeria and other developing countries; through key multilateral bodies such as the IMF, the World Bank and the World Trade Organization in collaboration with local economic agents in private and public sectors.

Unlike the USA or UK, Nigeria has been unable to develop national institutions that embed an efficient, effective and impartial enforcement system that institutionalists such as Douglass North argue is necessary to produce efficient, effective and just economic outcomes. The question this raises is did the transition from development planning/ Keynesianism to neoliberalism make the management of the economy more efficient and the outcomes sound?

To answer the question, we look at public finance management from 1961 to 2010 giving emphasis to regimes that managed the Nigerian macro-economy to determine the soundness of their macroeconomic management and leadership of the fiscal system which by its centralization makes the federal government the manager of the macro-economy. Its efficiency and effectiveness influences not only the states and local governments but businesses and households.

Soundness of Management and Leadership in Federal Public Finance

The focus on federal government finances is because in Nigeria's centralized fiscal system, the federal government is the dominant tier of government. A review of its finances provides insight into the soundness of its management and, the soundness of the leadership it is providing to the lower tiers of government. I have provided in tables 16 and 17 the trend of the structure of a set of fiscal policy variables: federally collected revenue, federal expenditure, federal budget deficit and federal government debt.

Federally Collected Revenue

The data on federally collected revenue (panel 1) in table 16 show the shift to the dominance of oil revenue from 1970 and in 1975, oil had replaced non-oil, mainly agriculture, as the key source of revenue. From 1975 to 2010 oil revenue remained the dominant source of revenue contributing between 70.6% (1995) and 85.8% (2005) despite the volatilities in oil price, oil output and oil revenue.[15]

The unchanging structure of federally collected revenue is indication that (1) the federal government was not efficient in the management of Nigeria's resource endowments and (2) primary products still dominate the structure of output and of exports. OPEC (2002) has established that by choosing to export crude oil instead of domestic refining, Nigeria was losing up to 75% of the value on every barrel of crude exported. The losses in terms of potential output, productivity gains and employment are considerable given the number of products that a barrel of crude can produce across every industry and service. When we consider the implications of imports of petroleum products and the consequence for development and macroeconomic stability, it is hard to see how the management and leadership of the central authorities in managing oil and gas resources meets the three criteria for soundness. First, in terms of the fundamental quality (purpose, justice, wisdom and character), the purpose does not accord with the imperatives for sound economic output or sound economic outcomes. Second, in terms of consequences, it has not produced the sound consequence of strength, security, reliability and sustainability. The volatility of the entire fiscal system is sufficient evidence. Third, the management and leadership process lacks depth and thoroughness; otherwise it would have been obvious that such policy directions are doomed to produce unsound outputs and outcomes.

It is noteworthy that Nigeria has incurred and continues to incur huge financial losses from gas flares, oil bunkering,

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[15] Incidence of oil price shocks occurred in 1978; 1990, 1999-2007; 2008, 2009, 2010 while oil output was volatile in 2007-2010 due to militant activities in the Niger Delta.

illegal mining of solid minerals and from untapped resources of solid minerals. Such resources would have increased actual output, productivity, created jobs, reduced poverty and increased the strength, stability and sustainability of the economy. It would have made the crisis over revenue allocation unnecessary because as was made obvious in section two, every state and every geopolitical zone has resources that are either untapped or are produced inefficiently with unsound outcomes.[16]

It makes sense to expect that the potential revenue accruable is substantially more than is reported. The difference is accounted for partly by inefficiencies in exploitation and use of the resource; partly from crime such as illegal bunkering, mining and stealing of crude, gas and other extractive resources; partly from "unfair agreements"; partly from fraud and endemic corruption.[17]

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[16] In many cases, illegal operators mine solid minerals without respect for the environment or the lives of citizens in those locations. Often, not only is the government losing revenue, the operation is inefficient, pollutes local water resources causing lead poisoning and death while damaging the ecosystem.

[17] A recent KPMG Report of a forensic audit of the Nigerian National Petroleum Company (NNPC) reported incidence of "NNPC's sharp business practices, violation of regulations, illegal deductions of funds belonging to the state, and failure to account for several billions of naira that should go to the federation account." For instance, between 2007 and 2009, the NNPC was said to have illegally deducted N28.5 billion as oil subsidy and that it could not account for the money. In addition, several US companies and their management were indicted and convicted for offering bribes to NNPC and government officials. Three cases suffice: (1) Halliburton (2) Willbros Group Inc admitted in 2008 to paying bribes of "$6.3 million to officials at the NNPC and its subsidiary NAPIMS, in return for assistance in obtaining and retaining contracts for work on the Eastern Gas Gathering System (EGGS)"; (2) ABB Vetco Gray admitted to "paying over $1 million in bribes to officials at NNPC subsidiary NAPIMS in exchange for obtaining confidential bid information and favourable recommendations from *Nigerian* government agencies." (Sources:
http://en.wikipedia.org/wiki/Nigerian_National_Petroleum_Corporation; US Department of Justice)

Federal Expenditure

Panels 2, 3 and 4 of table 16 shows respectively (1) shares of aggregate expenditure; (2) shares of recurrent expenditure and (3) shares of capital expenditure. From the panels it is clear that between 1961 and 1970, non-debt recurrent expenditure averaged over 60% of total expenditure with non-debt capital accounting for an average of over 35% in 1961 and 1967. However, in 1970, the year the civil war ended, non-debt capital shrunk to 9.6% from 35.3% in 1967 while debt service rose from 0% to 16.8%. Non-debt capital expenditure rose significantly in the **first oil boom years** (1973-1980). As can be observed, it was 50.3% in 1975 and 66.4% in 1980. In the post first oil boom years, non-debt capital expenditure crashed and never recovered even in the second oil boom years (1999-2008). Though it rose from the lowest level of 14.1% in 1990 to 27.9% in 2005, it never reached the level of 1961! Thus, **in 2010, the share of non-debt capital expenditure was less than the share in the first year of independence**! In contrast, Nigeria committed a substantial share of its expenditure to transfers and debt service peaking at 65.1% in 1990. With the exit from the Paris Club in 2010, debt service declined as the share of total expenditure. However, recurrent expenditure was the beneficiary rising from 45.55 in 2005 to 69% in 2010 and over 70% in 2011.

Table 16: Share of Government Revenue and Expenditure, 1961-2010 (%)

	1961	1965	1967	1970	1975	1980	1985	1990	1995	2000	2005	2010
Share of Federally Collected Revenue												
Oil Revenue	0.0	0.0	0.0	26.3	77.5	81.1	72.6	73.3	70.6	83.5	85.8	73.9
Non-Oil Revenue	100.0	100.0	100.0	73.7	22.5	18.9	27.4	26.7	29.4	16.5	14.2	26.1
Share of Federal Government Expenditure												
Non-Debt Recurrent	59.1	66.3	64.6	62.4	44.2	30.4	45.8	20.6	30.8	47.2	45.5	69.0
Non-Debt Capital	37.3	32.2	35.3	9.6	50.3	66.4	19.2	14.1	26.4	27.5	27.9	20.6
Current Debt Service	0.0	0.0	0.0	16.8	1.8	1.7	12.3	39.5	20.5	18.7	21.6	9.9
Capital Transfers	3.6	1.5	0.4	11.1	3.7	1.5	22.7	25.8	22.3	6.7	0.6	0.4
Share of Federal Government Expenditure												
Administration	15.2	29.0	41.7	18.9	22.3	12.4	18.9	18.1	22.5	31.3	35.5	36.3
National Assembly	--	--	--	--	--	--	--	--	--	1.85	2.64	4.43
Social and Community Services	17.0	11.8	4.6	6.1	6.1	5.6	6.1	9.4	10.8	18.4	12.4	16.5
Education	4.7	6.8	2.9	3.4	4.6	3.2	3.4	6.6	7.6	12.6	6.8	4.8
Economic Services	59.0	54.8	53.6	3.6	2.8	2.3	3.6	4.5	4.6	6.2	5.3	17.7
Agriculture	0.4	3.9	4.2	0.3	0.8	0.4	0.3	0.7	1.2	1.4	1.3	0.9
Debt Service	0.0	0.0	0.0	21.2	4.0	5.3	21.2	65.8	40.0	28.4	32.2	12.6
Transfers	8.7	4.3	0.1	71.4	68.8	79.7	71.4	68.1	62.0	44.1	46.8	19.0
Share of Federal Government Expenditure												
Administration	15.2	29.0	41.7	37.4	23.3	14.8	8.4	12.1	11.0	22.3	33.0	36.9
Economic Services	59.0	54.8	53.6	8.3	41.0	58.8	16.3	14.5	35.6	46.6	51.0	49.2
Social and Community Services	17.0	11.8	4.6	0.7	28.9	24.2	21.1	8.7	7.6	11.7	13.7	11.9
Transfers	8.8	4.4	0.1	53.6	6.8	2.2	54.2	64.7	45.8	19.4	2.3	2.0

Source of Data: Central Bank of Nigeria, Statistical Bulletin, 2010.

The components of federal recurrent expenditure in Panel 3 show that in 1970, the share of economic services (mainly agriculture, construction and transport and communication) dominated in the 1960s averaging over 55% of recurrent expenditure. However, in 1970, it declined to 3.6% and remained under 10% from 1970 until 2010 when it was 17.7%. The major beneficiaries were administration, debt service and transfers. Social and community service shares (mainly education and health) remained below the 1961 level of 17% all through with 2000 (18.4%) being the only outlier. In 2010, the shares of social and community services (16.5%) and economic services (17.7%) were lower than those of 1961! It is worth noting that since 2000, administration and National Assembly shares have been steadily rising, the National Assembly shares from 1.85% in 2000 to 4.43% in 2010. Indeed in 2010, National Assembly share was almost the size of the shares of education (4.8%) and almost five times the shares of agriculture!

Of the three components of capital expenditure, the share of economic services was dominant in the years leading up to the civil war in 1967 when it averaged over 55%. However at the end of the war in 1970 it declined sharply to 8.3% and like non-debt capital expenditure, it recovered in the first oil boom years peaking at 58.8% in 1980. Again, just like non-debt capital expenditure, it declined from the 1980 peak level to 16.3% in 1985 and 14.5% in 1990. Although, it started to recover from 1995 peaking at 51% in 2005, it never reached the levels of 1961-1967.

Like revenue, federal expenditure structure does not pass the soundness test. In terms of purpose, the pre-neoliberal years was dominated by the goals of development and emphasis on justice and the output and outcomes in 1970-1980 are superior to those of the neoliberal years which emphasized "reform" such as fiscal austerity for the purpose of running a surplus to pay-off debts whose accumulation pattern questions the soundness of macroeconomic management particularly after 1980 and, the leadership of Nigeria's fiscal federalism by the central government. Arguably, in terms of depth and thoroughness, the development plans were better than the various "reform" documents from the World Bank authored Structural Adjustment Programme, which lacked a coherent vision, macroeconomic framework, measurable targets or credibility in terms of authorship and underlying interests.

Until the current global financial crisis revealed the hypocrisy of the Washington Consensus, the fiscal austerity in SAP was promoted in the 1980s to developing countries such as Nigeria as growth-oriented, when it was clear from the Keynesian macroeconomics used by the United States, Europe, China and other nations to avert a Great Depression-type economic collapse that what was needed was not fiscal austerity. In Greece which now faces the problem Nigeria faced in the early 1980s, fiscal austerity has produced similar outputs (economic contraction, unemployment) and outcomes (inequality, poverty, suicides, strikes, instability, etc). To better appreciate the unsoundness of management and leadership, I turn to fiscal deficit, federal borrowing and the public debt.

Fiscal Deficit, Federal Borrowing and the Public Debt

In macroeconomic management, fiscal deficit and its financing through public debt can be sound or unsound depending on the purpose for running deficits, the wisdom of borrowing, the character of agents lending, borrowing and using the borrowed funds, the depth and thoroughness of economic analysis preceding the deficit and borrowing, and the outcomes. Going by the outcomes (poverty, inequality, education, health, competitiveness and sustainability, security, and so on), the logical conclusion is that the deficit and borrowing programmes were unsound. However, closer analysis of fiscal deficit, federal borrowing and public debts will provide more information.

Table 17 shows three panels of data: (1) structure on growth of debt; (2) the size of debt and deficit and (3) change in debt and deficit all from 1961 to 2010. It is useful to read the data from political regimes. The period 1961-1967 were the years of political crisis, coups and counter coups. Yet, the federal government ran surplus budgets from 1961 to 1967. The total debt stock rose from ₦103 million in 1961 to ₦370 million in 1967. The budget deficit era began with the General Gowon's regime and it was obviously to finance the civil war from 1967-1970. The result was that total debt rose by a peak 50.4% in 1970 taking the debt stock to about ₦1.3 billion.

At the end of the regime in 1975, total debt stock was ₦2023 million: ₦1676 million domestic debt and ₦350 million in external debt. Domestic debt then accounted for 82.7% while the external debt stock made up the balance of 17.3%. It is noteworthy, that domestic debt and external debt were at similar levels in 1961: ₦50 million for external and ₦53 million for domestic. Also, in terms of indexes, with 1977 as base year, deficit and total debt stock in 1975 were respectively 54.8 and 53.7.

In my view 1975/76 was one of four "defining years" in the evolution of economic management and leadership in Nigeria. The others are 1978, 1985/86 and 1998/99. At least three events made 1975/76 watershed years. First, the succeeding regime ended the powerful academic-Perm Sec alliance that drove domestic policy in the early 1970s with the Second National Development Plan as their crowning achievement. Second, it purged the civil and public service thus destroying the climate of "certainty" and "permanence" under which civil and public servants worked. Third, it restructured governance at sub-national governments through the fragmentation of states from 12 to 19 and through its local government reforms, the politicization of local governance and the erosion of the powers of the technocrats that ran the then divisions. Four, it accumulated record levels of deficit and debts. Five, it centralized governance by taking over state assets such as universities, stadiums, television, radio stations, etc.

Table 17: Trend and Share of Federal Government Debt and Budget Deficits and Debt, 1961-2010

Variables	1961	1965	1967	1970	1975	1977	1978	1980	1981	1982	1983	1984	1985	1986
Structure and Growth of Federal Government Debt (%)														
Domestic Debt Stock	51.7	67.0	64.3	86.2	82.7	90.3	79.4	81.5	82.8	63.0	67.8	63.4	61.8	40.7
External Debt Stock	48.3	33.0	35.7	13.8	17.3	9.7	20.6	18.5	17.2	37.0	32.2	36.6	38.2	59.3
Growth of Total Debt	--	14.9	11.2	50.4	27.8	25.7	60.8	14.2	34.1	76.2	37.7	23.4	11.8	54.5
Federal Government Debt and Budget Deficit (Million Naira)														
Total Debt Stock	103	274	370	1266	2025	3772	6066	10082	13524	23827	32799	40481	45250	69891
Domestic Debt	53	184		1091		3407	4814	8216	11193	15008	22221	25672	27949	28439
External Debt Stock	50	90	132	175	350	365	1252	1867	2331	8819	10578	14809	17301	41452
Budget Deficit	60	418	396	-455	-428	-781	-2822	-1975	-3902	-6104	-3365	-2660	-3040	-8254
Change in Federal Government Debt and Index of Budget Deficit														
Change in Total Debt Stock	--	36	37	424	441	770	2294	1257	3441	10303	8972	7682	4769	24641
Change in Domestic Debt Stock	NA	47.14	9.95	425.2	413.1	779.8	1407	1001.6	2977	3815	7213.8	3450.7	2277	489.6
Index of Budget Deficit	-7.65	-53.48	-50.72	58.24	54.76	100	361.13	252.78	499.37	781.17	430.57	340.47	389.01	1056.35
Index of Total Debt Stock	2.73	7.26	9.8	33.56	53.7	100	160.82	267.31	358.55	631.71	869.59	1073.25	1199.68	1852.99

In just two years, that is by 1977; the deficit and total debt were almost twice the level in 1975. Yet, 1977 was just the beginning for the year **1978 was the second watershed year**. In just one year, the index of deficit rose from 100 to 361 and that of total debt from 100 to 161. In just one move on the advice of the powerful, rational and self-seeking agents of "underdevelopment finance" who claimed that Nigeria was under-borrowed, the Obasanjo administration was led to borrow what came to be known in popular discourse as the "jumbo loan" of $1 billion from the International Capital Market. The immediate impact was that it raised external debt which was just ₦350 million in 1975 to ₦1,252 million in 1978. It is remarkable that in one year the government declared fiscal austerity which it christened the austerity measures; it ran the highest deficit then in the economic history of Nigeria and accumulated the highest debt up to that point.

The 1978 example of external borrowing set the foundation for the subsequent spiraling of fiscal deficit and public debt at federal and state levels. The succeeding Shagari Administration also made history in 1982 in budget deficits (₦6.1 billion), external debt (₦8.12 billion), domestic debt (₦15.0 billion), and total debt stock (₦23.83 billion). Just seven years earlier, the respective numbers were budget deficits (₦428 million), external debt (₦350 million), domestic debt (₦1.68 billion), and total debt stock (₦2.03 billion). Like the Obasanjo regime it succeeded, the Shagari administration ran its record levels of fiscal deficit and public debt in 1982, the same year it signed into law the Economic Stabilization Act of 1982 supposedly to arrest the problems of the economy. By the time the administration of President Shagari ended in 1983, though deficits declined to ₦3.34 billion, total debt stock rose to ₦32.8 billion. In both the 1978 and 1982 cases, the government put its credibility into question since the output conflicted with policy output and outcomes.

Under the Buhari/Idiagbon regime, deficit declined but total debt continued to increase every year and by the end of 1985, it was ₦45.3 billion up from the level of ₦32.8 billion in 1983 at the point of exit of the President Shagari administration. If 1978 was a defining moment, 1985 was more so. First, the termination of the Buhari/Idiagbon regime terminated development planning and Keynesian type macroeconomic management. Second, in the next year, neoliberalism and its driving multilateral and bilateral organizations gained a strong foothold in macroeconomic management in Nigeria beginning with the 1986 budget on 1 January and deepening and widening as the government implemented the Second Tier Foreign Exchange Market (SFEM) in September of 1986, dissolved commodity boards, deregulated interests rates in 1988 and began privatizing and commercializing public enterprises.

Advertised as a growth-oriented long term strategy, the Washington formulated strategy was selectively austere: it discriminated against capital expenditure, economic services and social and community services in favour of debt service. As shares of non-debt expenditure declined and the share of debt service rose, deficit rose to record levels in 1986 (₦8.3 billion), 1989 (₦15.14 billion) and 1990 (₦22.12 billion). When General Abacha succeeded Chief Shonekan in 1993, he achieved a budget surplus of ₦1.0 billion in 1995. However, by the time he left in 1998, the budget deficit was at a record level of ₦133.4 billion soon to be surpassed in 1999 by the combined deficits of the two administrations that ruled in 1999.

The year 1999 was the fourth watershed after 1975, 1978 and 1985/86. First, because in 1999 military rule ended when General Abubakar transferred power to Chief Olusegun Obasanjo on May 29 1999. Second, at the end of 1999, the fiscal deficit was a record ₦285.11 billion. Even more incredible, the total debt stock which had grown from ₦69.9 billion in 1986 to ₦1.19 trillion in 1998 rose by 182.5% to ₦3.37 trillion in 1999 alone. From the 1999 level the total debt stock almost doubled to peak at ₦6.26 trillion in 2004.

Agreements with members of the Paris Club led eventually to Nigeria's exit from the Paris Club and the decline of its total debt stock to ₦3.2 trillion in 2006. However, from 2007, the journey to record borrowings and public debt started. The debt stock had risen to ₦5.24 or about 83% of the peak level in 2010 and by end of 2011 to ₦6.71 a new record that is, 7% above the pre-Paris Club level.

The composition of total debt varied between 1961 and 2011. Until 1986, domestic debt was the dominant form of public debt. From 1986 until 2006, external debt was dominant. From 2000 when the Debt Management Office (DMO) was created "to centrally coordinate the management of Nigeria's debt", the domestic debt stock had grown from ₦794.81 in 1999 to ₦4.55 trillion in 2010 and ₦5.62 trillion in 2011 with FGN Bonds, Treasury Bills and Treasury Bonds that attracted between 15% and 17% in interest rates as the main instruments. The DMO has consistently hyped the type of advice that led to the "jumbo loan" of 1978. It claims that Nigeria is yet to reach the threshold that multilateral creditors had set for the economy. Its supervising Ministry, the Federal Ministry of Finance, spearheaded in 2011 the launch of the $500 million Nigerian Eurobond in 2011. The ministry is also in 2012 pushing for a $7.9 billion external debt over the next three years. The International Finance Corporation (IFC) claims to have secured approval of the Nigerian government to issue a $1 billion naira denominated Nigerian Bond. All of these rational moves will raise the debt. It is notable that several states have followed the leadership of the federal government and issued Bonds for varieties of reasons.

It seems therefore, that record levels of public debt and deficit lie in Nigeria's future. What does not lie on the same path are: the sound outputs and the sound outcomes that the Nigerian population expects. Clearly, it is impossible for unsound management and leadership to produce sound outputs and sound outcomes. For "A good tree cannot produce bad fruit, and a rotten tree cannot produce good fruit" (Mathew 7:19).

Table 18: Trend and Share of Federal Government Budget Deficits and Debt, 1961 -2010

Variables	1986	1987	1989	1990	1995	1998	1999	2000	2004	2005	2006	2010
Structure and Growth of Federal Government Debt (%)												
Domestic Debt Stock	40.7	26.7	16.4	22.0	40.0	47.0	23.6	22.5	21.9	36.2	85.8	86.8
External Debt Stock	59.3	73.3	83.6	78.0	60.0	53.0	76.4	77.5	78.1	63.8	14.2	13.2
Growth of Total Debt	54.5	96.8	58.8	33.1	13.1	8.8	182.5	18.5	7.8	-32.6	-24.7	37.6
Federal Government Debt and Budget Deficit (Million Naira)												
Total Debt Stock	69891	137578	287443	382708	1194599	1193847	3372181	3995638	6260595	4220979	3177409	5241668
Domestic Debt	28439	36789	47050	84093	477734	560830	794807	898254	1370325	1525907	2725947	4551822
External Debt Stock	41452	100789	240394	298614	716866	633017	2577374	3097384	4890270	2695072	451462	689845
Budget Deficit	-8254	-5890	-15135	-22116	1000	-133389	-285105	-103777	-172601	-161406	-101398	-1105440
Change in Federal Government Debt and Index of Budget Deficit												
Change in Total Debt Stock	24641	67687	106457	95264	138204	96164	2178334	623457	452586	-2039616	-1043570	1433197
Change in Domestic Debt Stock	489.6	8350.4	20	37043.5	70151.19	59079.1	233976	103447.3	40645.2	155581.4	1200041	1333792
Index of Budget Deficit	1056.35	753.74	1936.87	2830.32	-127.98	17070.55	36486	13280.94	22088.73	20656.04	12976.39	141469.1
Index of Total Debt Stock	1852.99	3647.55	7620.85	10146.55	31671.87	31651.92	89405	105934.5	165984.3	111908.9	84241.18	138969.9

Conclusion

The data on resources, output and outcomes and public finance that I have carefully analysed supports the thesis that *sound economic outcomes are impossible if management and leadership are unsound*. However, the nexus between outcomes and management and leadership involves ideas and vested interests which if unsound, corrupt management and leadership producing choices and actions that doom outcomes on a sustained basis. Although, I have focused on national economic management and leadership, it would not be difficult to show that because central government is the dominant agent; its influence permeates sub-national tiers, the private sector and households, just as it is in turn influenced by the character of economic management and leadership at the global level.

When I served at the national level, one of the questions that I was often asked was: how did Indonesia, Malaysia, Singapore, South Korea and similar nations that were said to have been at the same level of development with Nigeria in the 1960s leave Nigeria behind? Initially, I was convinced that institution was the difference for I reasoned with Douglass North that the formal constraints have failed because (1) the formal rules are not enforced not because the laws were not sound but because of a lack of an *effective and impartial system of laws and courts* for the enforcement of formal rules[18]; (2) the systemic corruption of *societal sanctions that enforced norms of behaviour;* and (3) the systemic corruption and weakening of the *personal standards of honesty and integrity* that provided individuals, households, business agents and government agents with intrinsic motivation to act in accordance with social good.

In the course of deepening my understanding, my colleagues and I reviewed the economic histories of Indonesia, Malaysia, Singapore and South Korea. The findings showed that no two countries followed the same path; each was

[18] The Ibori case and many other corruption cases exemplify the systemic failures.

unique and each leveraged their endowment. In addition, none outsourced their thinking to others. Rather they devised sustainable planning strategies that had depth, thoroughness and an all encompassing vision, mission and framework. In addition, strong leader-led national elites drove the process that aimed at concrete and measurable outcomes. In Malaysia for instance, where ethnic imbalance could have undermined progress, the plan included affirmative action that corrected ethnic and regional imbalance and opened up opportunities. The closest Nigeria has come to a national elite with similar plans was in the early 1970s after the end of the civil war. Whatever may have been their weaknesses, what replaced them did not produce national elite that is driven to produce development outcomes that made Nigeria stronger, more egalitarian, and wiser in its international relations or more stable, more competitive or more secure. The elites who insisted on federal character in appointments to be provided for in the 1999 Federal Constitution were focused more on their interests. Otherwise they would have applied the principle mainly to provision of public goods and services.

The second thing I came away with from the review was that Nigeria's development problem was far more than failure of institutions, important as it is. The set of failures include but are not limited to:

a. the dissolution of the "powerful academia-Perm Sec" elite that implemented the second national development plan and its replacement by a loose network of rational and self seeking economic agents (private and public) including consultants[19] that lacked either

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[19] In many instances, consultants are a factor in inefficiencies and ineffectiveness. For instance, a 1993 World Bank Report titled *Nigeria Issues and Options in the Energy Sector* reported that the May 1992 turnaround maintenance (TAM) of the Port Harcourt II Refinery cost US$39 million which was between 6.5 to 7.2 times the average industry cost of between US$5 to 6 million (World Bank, 1993:25). The report indicated that besides restocking of inventories, "heavy involvement of foreign contractors and advisors" contributed to the high costs. Just recently, the TAM for Warri was awarded at the cost of ₦96 billion the equivalent of US$611.5 million.

the intrinsic motivation for and the capacity to deliver development outcomes;

b. the systemic weaknesses of social organizations (economic, social and political) to build national capacities and consensus around development outcomes;
c. the progressive corruption of social values;
d. the lack of a national framework for clearly and rigorously thinking through development options and in planning for development outcomes;
e. the progressive compartmentalization of economic management and leadership which produce short-sighted "reforms" that in turn need reforms in thought, underlying values and half-hearted implementation and ineffective monitoring and evaluation; and
f. the line item budgeting system that neither makes outcomes the end of government expenditure nor rations resources based on delivery of public goods, services and outcomes.

In an earlier study of Nigeria's economic and political history (Garba and Garba, 2004:106), we had concluded that: the "rising tensions and conflicts seem to suggest that Nigeria must introduce political and economic reforms or transformation… to build a functional modern state.: Further, that the "great challenge for Nigeria remains: How can it overcome the ossified asymmetrical relations, consciousness and vested interest that have prevented Nigeria from achieving its potential". I am convinced, and more so now, that the dysfunction in Nigeria's economic, social and political system does not require "reform" but true transformation. As I argued in Garba (2012a):

> Given the abundant human and non-human resources that God has blessed Nigeria with, there is far too much poverty, misery and insecurity in the land. The irony of a rich country and a poor

> people has been much analyzed to the extent that some theorize that our blessings are in reality curses. Yet, we know from Scriptures that the Almighty does not add sorrow to His blessings. If there is poverty, misery and insecurity in the midst of abundance, clearly, Nigeria is in need of true transformation.

Since 1986, several "reform" strategies, plans, blueprints and policies have been produced by "experts" which promised so much but delivered so little. "Development partners" have authored and sold to government many of such plans which have delivered much in reverse—for what is needed are, transformed agents.

Mr. Vice-Chancellor, ladies and gentlemen, I want to end this lecture by drawing your attention to the dualism inherent in this lecture, that is, the godly and the human. Nigeria's resources are God's blessings; the output and outcome which data have shown to be unsound, are products of human ideas, interests, choices and actions. Clearly, unsound ideas and interest cannot produce sound management and leader-ship nor sound outputs and outcomes. Hope for Nigeria lies in sound ideas which embed sound interests. In the secular world in which we live, and as a sign of the times, many would dismiss the idea of true transformation based on scriptures as unscientific.

Yet, I am fully convinced that therein lies the vision, the knowledge, the wisdom and the understanding required to truly transform. From scripture, true transformation involves simultaneously, endings and beginnings; the passing away and the coming into life. Furthermore, true transformation is first and foremost, spiritual not material or physical. For, it is the spiritual transformation that gives physical and material transformation its true character, true form, true essence and true meaning. Thus, true transformation begins with a transformed person, a transformed mind. For it is when the mind, the eyes and the ears are transformed that a person can see (1) the limitless opportunities in Nigeria's endowment for building value chains in agriculture, solid minerals, oil and gas, etc; (2) the fairness in the distribution across states and geopolitical zones so that no state or geopolitical zone should lack opportunities for sound output and outcomes; (3) the threats and the opportunities in the global system and the appropriate responses. With true transformation therefore, the dysfunctional economy, economic, social and political organizations can be markedly altered to such an extent that they cease to exist as they existed and become something opposite to what they once were. Then, they can begin to bear the good fruits that the people of Nigeria desire. The details about (1) transformative thinking (creative and cooperative approach to government and governance; prioritizing development and strategic view of the world); (2) transforming institutions, organizations and agents; (3) building systems (power, water, transport, communication, etc) and capacities (health, education, innovation, creativity, etc) and (4) developing geopolitical economic clusters on the principles of building value chains to deliver sound outputs and outcomes have been presented elsewhere. I will not therefore, bore you with them.[20]

Mr. Vice-Chancellor, ladies and gentlemen, true transformation requires that justice reigns in Nigeria; that government is people-centered, service-oriented, righteous, impartial and virtuous and that Nigerians practice and profess virtues of compassion, charity, service and godliness. Then every citizen, household and business as well as the government can achieve the purpose of their existence. That, in the final analysis is what truly counts; for indeed, in the long run, we shall all physically die and thereafter face judgement.

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[20] There is a full document titled, *The Transformation Plan* and sketches of the plan are presented in Garba (2012a, 2012b).

Acknowledgements

Again, I acknowledge the presence of God Almighty throughout this lecture and I pray that He was pleased with the delivery. I express my sincere thanks to Professor Afolabi Soyode. At the time that I was referred to him for career counselling in 1984, I was seriously considering going back to the United States because the condition in the country, at the time, was not conducive to the kind of work life I was seeking. Things just didn't seem right in Nigeria, although in retrospect, in 1984, many aspects of the country were much better than they are now. After a series of meetings with Professor Soyode, I was encouraged to weather the storm and he convinced me that things would get better. Although I attended a job interview and was offered an appointment in another university, Professor Soyode believed in me enough to invite me to join the Department of Economics in UI, after discussing with Professor Oyejide, the Head of Department and Professor Ibi Ajayi, the Dean of the Faculty of the Social Sciences. Indeed, Professor Soyode has since then been one of my strongest mentors. I pray that the Lord Almighty will direct the path of his children and grandchildren to the place He wants them to be. Amen

I wish to thank most sincerely Professor Ademola Oyejide, who was my first HOD, my counsellor, my PhD supervisor and my friend. He has indeed, been one of my strongest mentors. As the only female lecturer in the department at the time he was HOD, right from the start of my career in the department, he ensured that I was given the same opportunity as my male colleagues to develop. He was strict with all of us, ensuring that we met the high standards expected of lecturers in the department. He opened up opportunities for me to attend international conferences and to apply for and get grants from the early stages of my career. He did this for virtually every young lecturer, and the not so young, in the department. This continued until the day he retired. What I appreciate most about Professor Oyejide, beyond what he taught us at various times while mentoring us, were the things he did not say but the things he did. His

work ethic and emphasis on excellence in teaching, supervision, counselling, punctual and regular attendance at departmental and faculty board meetings, spoke volumes to me. I wish to state for the record that he is indeed a role model for me and for many others. My only wish, a subject we have often discussed, and I continue to pray about is that he fully surrenders his life to the Lord; I know it would be so by God's grace. That would make him even much finer a person than he is now. I appreciate the very positive role he has played in my life.

I also thank especially all other professors and colleagues who have positively touched my life in one way or another in the Department of Economics. Special mention is made of Professors M.O. Kayode, Sir Ibi Ajayi, John Ohiorhenuan, Eno Inanga, Sam Olofin, Akin Iwayemi, Adedoyin Soyibo, and Ademola Ariyo. I appreciate them all. I also remember with thanks and fondness Professor Bade Onimode, a sound economist and a role model to many, including me. Others I must specially acknowledge who are my contemporaries are Dr. Fidelis Ogwumike, Dr. I. D. Poloamina, Dr. Remi Ogun, Professor Yele Akinkugbe and Dr. Mufutau Raheem. These five people and I were recruited to join the department on the same day, and we forged a special bond that was a source of intellectual encouragement to all of us at the time. I am grateful for the value they added to my life. I thank my brother, the Head of Economics Department, Professor Festus Egwakhide, who has been a dependable friend since I met him. I also must mention Professor 'Deola Adenikinju who was first my cherished student, then my colleague and who is now a Professor. I thank him for agreeing to serve as Senior Special Assistant to the President in my Office while I was Chief Economic Adviser to President Goodluck Jonathan. I appreciate him. I also thank Professor Wale Ogunkola for adding value to my life; he was most helpful to me while I served as the Dean of the Faculty. I truly appreciate the wonderful relationship I have had with every other member of the academic staff of the department. I pray that God Almighty will bless you all. Two professors who left the department before I joined had very positive impact on me. They are Professor Owodunni Teriba and Professor Emmanuel Edozien. They have both provided me with support when I needed it most and have taken time to advise and guide my career progression. I appreciate them greatly.

I have enjoyed a loving and respectful relationship with the non-teaching staff of the department over the years, for which I thank them all. I especially mention my strong relationship with Mrs. Paulina Okebugwu whom I am still convinced occupies a position in the university much lower than her talent and service deserve. She is indeed an intelligent, conscientious, dutiful and dependable person. I have cherished our friendship. I must also mention Mrs. Awolaja, Mrs. Ifederu and many other ladies, who although were non-teaching, provided the professional support I needed, and who, recognizing that I was the only female academic staff member, went out of their normal call of duty to make my job in the department pleasant and fulfilling. I pray that the Lord will take special care of you and your children. Amen.

I have enjoyed an excellent working relationship with academic and non-teaching staff of the Faculty over the almost three decades that I have been in the Faculty of the Social Sciences. Leading the Faculty as Dean for one year, was one of the most wonderful experiences of my time in the faculty, because of the level of cooperation, support and love showed to me by the members. I wish to thank the deans that preceded me, especially, for their part in the foundation programmes (SLDP, Students Help Center, Students'/ Parents' Recognition Day, and so on); they developed and nurtured these programmes, which I further nurtured and handed over to the next dean. These deans before me are Professor Adigun Agbaje (fondly called "Dean Before-Before-Before"), Professor 'Niyi Gbadegesin (fondly called "Dean-Before-Before"), and Professor Uche Isiugo-Abanihe (fondly called "Dean-Before"). We have remained friends and continue to respect one another.

I thank the Students Leadership Development Programme (SLDP) committee members and volunteers for making my dream come true; the dream of institutionalizing a leadership development programme that would groom and better prepare graduates of the Faculty for the challenges they would face after graduation and to prepare them to assume positions of leadership in the country. I especially recognize Dr. Dickson Ajayi who took over as coordinator of the SLDP when my tenure ended. He, with the help of the highly committed and competent committee members, diligent volunteers, and Mr. Emmanuel Apalowo, the technical assistant, took the SLDP to higher levels beyond where I had led it. They all have always recognized me as the initiator and first coordinator of the SLDP, forgetting that without them, the vision would not have been realized. I thank God for everything. It is a blessing to be a part of the Faculty of the Social Sciences' family.

I have had very strong personalities in my life that God has used to contribute to shaping the person I am today. I do not take my relationships with these people, and indeed all deliberately formed relationships, lightly. To be honest, when one is discouraged as I am sometimes, given the level of corruption, evil and ungodliness in Nigeria, one may be tempted to give up and run away to a cleaner and safer environment than Nigeria. Then I remember people like these personalities who have somehow, by God's grace, maintained their integrity and stayed focused on what is right and true, even when there may be chaos around them. These are the kinds of people that I hope and pray that young people would emulate; these personalities have greatly influenced me. I shall mention only four of such personalities. I appreciate always the contributions of Professor Mrs. Bolanle Awe to shaping the lives of younger people, including me. The Bible said in Matthew 5:16, "Let your light so shine before men that they may see your good works and glorify your Father who is in Heaven." Mrs. Awe is one of those people who always makes me want to glorify God because of who she is and her love for others. I appreciate her greatly.

The next person inspires in me the same feelings when I see the impact he has on the young and not-so-young. I would like to appreciate, Deacon Dr. Gamaliel Onosode; a strong mentor indeed. From the day I met him, he made a compelling impression on me and we have been friends since that time, something I cherish deeply. I thank him for adding much value to my life. Another personality is Professor Mike Filani whom I have admired and who has mentored many academics, even in departments other than his own. He can always be relied upon to be on the side of truth. The late Professor Sylvester Abumere, whom I always referred to as "uncle", made a strong impression on many people in and outside the University primarily for his love for people generally and his readiness to solve people's problems whether they were known to him or not. Many people really didn't understand why he went out of his way to help others so much. I took time to understand and my conclusion was that one of God's purpose for Professor Abumere in life was to be a blessing to everyone, no matter their status. It was an honour to be called his sister and I pray his soul continues to rest peacefully. Amen. I thank God for the lives of these people and others like them some of whom are also in this audience, and pray that God will bless their offspring the way they have blessed others.

I must not fail to mention my closest friends, who have been there, come rain come shine, providing whatever support is needed to make life more pleasant. They have brought much joy to my life. They are Dr. Floretta Akingbade and her family, Professor Bola Udegbe and her family, Dr. Biodun Obaja and her family, Professor David Aremu and his family and Professor Mike Kwanashie and his family. Others are Dr. Iyabo Adeyefa, Dr. Ibidun Adelekan, and Mrs. Pauline Okorosobo. I am grateful for the value they have all added to my life over the years. I also appreciate my other close friends and sisters, too numerous to mention.

I want to acknowledge the contributions of those friends I worked with as Chief Economic Adviser to President Goodluck Jonathan. First, I appreciate the cordial, respectful and highly professional relationship I enjoyed with His Excellency, C-in-C, President Ebele Goodluck Jonathan. The opportunity he gave me to serve the nation at the level I did broadened my knowledge of this country and indeed helped to fashion out the topic of this lecture. Even now, I believe that many of the plans we had to transform the economic direction and the state of this nation can still be achieved by Mr. President and his team. Re-echoing what I said during some of our meetings and discussions, I know that with determination to make the right choices, even if we step on a few toes, Nigeria can become the great nation it has the potential to be. Even those whose toes are stepped upon in the process of truly making decisions that would grow and develop Nigeria would soon realize that they would benefit more when the country is where God ordained it to be: a prosperous nation where no individual has too much while others lack and where some don't have at all in the midst of the opulent lifestyle of a few. I am grateful and continue to appreciate His Excellency, President Goodluck Jonathan. I also appreciate many others that I served with, Governors, Ministers, Legislators, Secretary to Government of the Federation, Head of Service, Permanent Secretaries, Accountant Generals, Ambassadors, Director of Budget and other Directors, Special Advisers and Special Assistants, Chief Accountant, Protocol Officers, Confidential Secretaries, Press Secretaries, Personal Assistants, Police Escorts, Drivers and other personnel assigned to my Office. The wonderful story of my life would not be complete without their mention. I am sure they know how much I cherish them.

Now to that excellent, highly professional, selfless, dedicated and competent team of researchers/professionals, that was carefully put together to do the job of assisting me as the Chief Economic Adviser to the President, I say thank you. They are: Professor Adeola Adenikinju (Team Coordinator), Professor Sarah Anyanwu, Dr. 'Biodun Adedipe, Dr. Tochukwu Nwachukwu, Dr. Eric Ogunleye, Dr. Bulus Dauda, Mr. Kayode Olaniyan, Mr. Yahaya Husseini, Dr. Floretta Akingbade and Mrs. Iyabo Osunbote. I appreciate your unwavering sense of patriotism and your determination to extend yourself, oftentimes beyond limits, to ensure that all assignments given to you were professionally done. Nigeria has benefited immensely from your wealth of knowledge and experience and I, appreciate your contributions to the sound evidence-based advice I gave to Mr. President during the period we served the nation. I wish to state that the excellent work you did confirms my confidence in your high level of intellectual, professional and moral integrity, which made me recommend that you should be invited to serve the nation. I thank you and God will always remember you for good and depend on you to be vessels of honour to Him.

A special group I now thank is the Nigerian Baptist Convention family. They have upheld me before God since 1969 when I gave my life to Jesus Christ and He took over ownership of me. I became a Baptist in 1969 when I accepted Christ as my personal Lord and Saviour. I have not lacked spiritual guidance, since then. I am grateful. I single out Reverend Ayokunle, the General Secretary of the Nigerian Baptist Convention, who even before being ordained the General Secretary upheld me in prayer, along with his wife. I thank them dearly. I particularly thank my early home church in the '60s and early '70s, the Central Baptist Church in Benin for the moral and spiritual foundation given me to live a godly life. That upbringing through the Girl's Auxiliary and the Lydia Auxiliary during my teenage life molded me to fear and honour God and to give Him first place in my life. The teaching has stayed with me. I thank all my other home churches, such as the First Baptist Church, Normal, Illinois USA; First Baptist Church, Halifax, Canada; and the University Baptist Church, East Lansing, Michigan, USA. At various stages of my life, these churches nourished me with the sound Word of God. I sincerely appreciate my current home church since 1986, the Orita Mefa Baptist Church (OBC), Ibadan, for the sound and undiluted Word of God that nourishes my soul all the time. It is a blessing to belong to such a close knit and loving family of believers that one can depend on. I give special thanks to Reverend Samuel Morakinyo Leigh (the former pastor), Reverend Dr. F. Kehinde Oladele (my current head pastor), Reverend 'Remi Awopegba (the current associate pastor), and Pastor Yinka Abimbola. I also thank Reverend Falade of Agbowo Baptist Church, Reverend Fatoki of Metropolitan Baptist Church, Reverend Daniyan of Calvary Baptist Church, Samaru Zaria, Reverend Idowu Akintola of the New Estate Baptist Church, Abuja, Reverend Tanko of Abuja Baptist Church, who all upheld me before God, making an otherwise impossible task very easy. Through the Orita Mefa Baptist Church I am attached to a House Fellowship that has become a source of strength to my family. My family loves and appreciates the fellowship members, which include Professor and Mrs. 'Wole Abatan. I especially appreciate Deacon and Deaconess Ugbebor, whose home has become a second home to all the fellowship members. We truly love you.

I remember with gratitude all my teachers from kindergarten to the highest level of the university, who invested resources to shape my thoughts the best way they knew how. Many have left long lasting impression on me, only a few that is not so pleasant. I am so grateful that each of them was chosen by God to touch my life when they did. I pray that it shall be well with them and especially their offspring. I am grateful to the professional bodies and consortium, that has in one way or another contributed to shaping my teaching and research work. They include the African Economic Research Consortium, Nigerian Economic Society and the Women's Research and Documentation Center (WORDOC), to name a few.

I would not end this without a big thanks to all my students, former and current, in Nigeria and abroad, who have made my journey exciting, sometimes very eventful, sometimes scary, but always wonderful. I have enjoyed interacting with them and I pray for the grace to continue to uphold them before God. I thank most sincerely Dr. Floretta Akingbade who took time within her very busy schedule to carry out

editorial work on this paper. May the Lord bless you. I wish to thank Mr. Ayo Ogunyiola an M.Sc. student in the Department of Economics, and Miss Damilola Grillo, my assistant, for their valued research assistance.

I humbly thank my parents for loving me so much. I thank my mother in particular, who after the very early death of my father in his early thirties, made untold sacrifices to ensure that all her children received sound education. Against the advice of some people, she decided to educate all her children including the girls. Education, she always said, was the best she could give to us and she spared no hardship to herself to ensure that we were all properly educated. I just pray that we would live as selflessly as she did for all others who need us. She is physically dead but her soul lives on by the grace of God. I say a very big thank you to my entire family members, my siblings: Senior Gladys and Kenneth in Nigeria, Sterin and Gregson in the United States, and all our children, including Temitope, Sako (much loved and of blessed memory), Stacy, Diana, Gary, Melissa, Jennifer, Owen and all others, for the love they have provided me throughout my life. If I had to choose all over again a family to be a part of, I would choose the same family. I also thank with much love, my father in-law, Alhaji Garba Shittu, and his late wife Mrs. Sifawu Shittu (of blessed memory) and the rest of the Garba and Shittu family. Of special mention are Mr. and Mrs. Timothy Ogunyiola and their lovely children, whose faith in the Lord and service to humanity is a great inspiration to me. I pray the Lord will continue to depend on you.

How can I truly thank my love, my husband, my best friend and my brother, Professor Abdul Ganiyu Ajani Garba? I would not know how to thank him even if I tried. Some people go through life not knowing their purpose or knowing how they would get to where they are going. I have known the Lord God of Abraham, Isaac and Jacob as my God, for over four decades now and despite the trials and tribulations on the way, I have never had a reason to turn back from following Him. Why because, early in my life I saw Him

directing me and as I obeyed, He increased His fellowship with me. When He brought Ajani my husband into my life over twenty years ago, I did not understand why. But today, with both of us firmly rooted in the Love of God and committed to serving Him to the end, neither of us doubt the reason God brought us together and the power of God at work in bringing us together. God has gradually unfolded to us the purpose for which He united us for His glory and honour. God is still revealing so many things to us especially the assignments He has purposed for us, which we are committed, by His grace, to fulfilling. Periodically, and more often these days, I stop to give thanks to God for joining us as one and for finding us worthy to be used as His vessels. My husband, whom I fondly call "baby", is a man who challenges me to love God more and more each passing day. A man I am glad to honour and forsake all others to love and cherish. I would not know how to thank him because He is God's gift to me. Instead I thank the Lord who made all things beautiful for us in His time. I would rather say to Ajani, I love you Baby. God knew that for me to be as happy as He wants me to be He needed to bring you to be my husband. I pray that we shall remain ever grateful and faithful to Him until He returns.

Finally, I humble myself before God and vow to be in His presence all the rest of my days, by His grace. "Now, unto Him Who is able to keep us from falling, and to present us faultless before the presence of His glory with exceeding joy; to the only wise God, our Saviour, be glory and majesty, dominion and power, both now and Forever." Amen.

I thank you all for your kind patience and attention during this lecture. May God bless us all.

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10.	Professor P. Kassey Garba	The Impossibility of Sound Economic Outcomes Without Sound Management and Leadership	3 May 2012

BIODATA OF
PROFESSOR PRECIOUS KASSEY GARBA

Professor Kassey Garba had the BBA in Health Management, of the Georgia State University, Atlanta, Georgia, USA in 1980, and an MBA from the Xavier University, Cincinnati, Ohio in 1982. She earned the Ph.D in Economics from the University of Ibadan in 1989.

After a short stint in the Banking Industry, Professor Garba joined the Department of Economics, University of Ibadan in 1985 as Assistant Lecturer, where she rose to become the first female Professor of Economics at the Department of Economics, University of Ibadan. Among other external assignments, Professor Garba was a Visiting Professor at the Maastricht Institute of Management (RVB) in the Netherlands.

Professor Garba's research and publications are in Macroeconomic Management, Business Economics, Entrepreneurship, International Trade and Finance and Development Economics. She has over 60 publications in refereed journals, chapters in books, edited books and a book. Her current policy research and advocacy interests include Industrial Policy, Macroeconomic Management, Global and Regional Trade Issues, Governance and Leadership, and Entrepreneurship and Innovation.

Professor Garba is a life member of the Nigerian Economic Society where she has served as Associate Business Manager (1992-93) and Vice President (2003 to 2007). She was a Senior Fulbright Fellow at the Michigan State University and a British Council Fellow at the Department of Economics, University of Manchester in 1995-96. Since 2008, Professor Garba has been an Executive Committee Member of the Centre for Entrepreneurship and Innovation and since 1990, a member of the Women's Research and Documentation Center, both at the University of Ibadan. Professor Garba has been a Member of the University Senate, University of Ibadan since 1995 and in

2003, she was elected Senate representative on the Governing Council of the University of Ibadan, a position she held until 2007.

In 2009, Professor Garba became the first female Dean of the Faculty of the Social Sciences, University of Ibadan, a position she held until August 2010 when she was invited to serve the nation as the Chief Economic Adviser to President Goodluck Jonathan, from August 2010 to May 2011. By that invitation, Professor Garba also became the first female Chief Economic Adviser to the President, Federal Republic of Nigeria.

Professor Kassey Garba is a Christian, married to Professor A. G. Garba.