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A Framework for Development Policy in an Ethnically Polarized State

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ABSTRACT Substantial evidence exists to suggest that ethnicity as a socio-political fundamental has a long standing negative impact on economic development and growth of a society. Following an institutional analysis framework, this study analyzes development policy in the Nigerian State and hence proposes a policy framework that has the potential to douse the negative effects of ethnically motivated government policies that has seen the country's economy and infrastructure in decadence. The study demonstrates that collective and inclusive action solutions to development issues and policies such as the abolishment of a multi-party state in favour of a two party state, equitable location of facilities of national interest across all the six main geopolitical zones in the country etc. have the potential of reducing ethnic rivalry and tensions thereby paving the way for sustained economic growth.

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1. INTRODUCTION

Recent studies in development economics have continued to emphasize the primacy of the role of institutions in national development with particular emphasis on ethnically diverse states (Easterly and Levine 1997; Alesina et al. 1999; Acemoglu 2005; Easterly 2006; Collier 2008; Ehwarieme 2010). Gibson et al. (2005) argue that development policy in Africa has failed to yield the desired result due to the secondary emphasis given to the role of institutions in economic planning. North (2003) defines institutions as the set of rules and regulations that smoothen out the uncertainties we experience in our daily interactions with one another. In an ethnically diverse society, institutions play a paramount role in smoothening out uncertainties created by differential views originating as a result of cultural differences. North posited that effective institutions are the basis of efficient economic social and political systems which form the bedrock of economic development in any society. He further argued that in order to ensure that institutions are effective, they must be based on the cultural heritages of the society in question rather than attempting to replicate Western Institutions in developing economies that face totally different sets of residual socio-political fundamentals. China in his view has had remarkable success in the last three decades as a result of development polices built on institutions driven by the fundamentals of Chinese cultural heritage. To fully understand the macroeconomics of development of a people therefore, the political and social heritage of the people in question must be clearly understood (North 1981, 2003, 2005; Acemoglu 2005; Gibson 2005; Easterly 2006; Uzonwanne 2011a, b). Institutions in an ethnically diverse society will provide formal rules and informal norms that will guide the economic, social and political relationship between and amongst members of various ethnic groups thereby creating a predictable social and political environment conducive for economic growth (La Porta et al. 1999; Benham et al. 2009; Ehwarieme 2010; Uzonwanne 2011b) provided that there are adequate mechanisms in place for the enforcement of these formal rules and informal norms.

The next section in this article will discuss the objectives of the study and the rationale for an institutional approach to development policy. The following section will discuss the role of ethnicity in ethnically diverse societies as a fundamental underlying social structure affecting the institution of development policy as a result of weak political institutions built on ethnic motives. Following this section, a conclusion will be presented and a recommendation for an alternative framework for development policy in Nigeria will be put forward. The framework takes into consideration the fact that Nigeria comprises of over two hundred and fifty ethnic fractions with three polar ethnic groups dominating the minority ethnic fractions.

This article not only contributes to the fast growing literature providing evidence of the negative relationship between ethnicity and economic growth but also contributes to the recent literature calling for an institutional approach to poverty reduction and economic development such as (North 2003, 2005; Gibson et al. 2005; Easterly 2006; Benham et al. 2009; Baggio and Papyrakis 2010; Uzonwanne 2011a, b).

1.1 The Objective of the Study

In order to effectively theorize about the problems and efficiency of policy and resultant economic development and growth in developing economies, social scientists studying the trajectory of growth in such economies must as an initial step understand the fundamentals of the underlying social structure of the society under review to enable them carve out laws and norms that will drive the stable co-existence of members of the society (La Port et al 1999; North 2003; Benham 2009). The core objective of this study is to provide a framework for development policy in the Nigerian State, a state currently facing complex social, political and economic problems as a result of weak and/or often non-existent institutions. This proposed framework follows an institutional analysis rooted in the fundamentals of the Nigerian society as a fulcrum for development policy.

2. JUSTIFICATION FOR AN INSTITUTIONAL APPROACH TO THE ETHNIC POLARIZATION PROBLEM

The role of institutional change in the redistribution of power and control of the supply of resources and revenue within a national framework is clearly elaborated in Bardhan (1989), North (2003) and Ehwarieme (2010). For change to affect development initiative, the efficiency of deployment of the factors of production within a country must be effectively redistributed away from “the leader and his followership,” in this case his ethnic followership (Bardhan 1989; North 2003). Development economics is primarily concerned with smoothening out the inefficiencies in markets that inhibit the smooth functioning of economies, in the case of this study, ethnic distortions. Bardhan (1989) emphasizes that institutional analysis is the solution to eradicating such inefficiencies by the evolution of institutions targeted specifically at understanding and hence eradicating them. More recently, Benham et al. (2009) posited that while institutional economics does not clearly show why rich countries are rich or poor countries poor, institutional change in a poor country is a positive and tested route to economic development and growth. Further evidence of social, political and economic institutional change as a catalyst for development is found in La Porta et al. (1999).

3. DISCUSSION

3.1 Development Policy in an Ethnically Polarized State

Montalvo and Reynal-Querol (2005a, b) show that countries with large polarized ethnic groups have a higher tendency for rival and rent seeking behaviour amongst the ethnic groups leading to frequent conflicts and social instability. The literature on the impact of ethnicity on the development and growth of sustainable economic institutions identifies two categories of ethnic heterogeneity viz ethnic polarization and ethnic fractionalization (Alesina et al. 2003; Montalvo and Reynal-Querol 2005a, b; Baggio and Papyrakis 2010). Polarization occurs when ethnic heterogeneity is spread across a few large ethnic groups leading to frequent struggles to control the mechanism of the state and hence source of power by each ethnic group (Montalvo and Reynal-Querol 2005a, b; Baggio and Papyrakis 2010). Fractionalization, on the other hand, occurs when ethnic heterogeneity is spread across smaller but numerous ethnic groups, each too little to effectively control the machinery of state in a manner such as to oppress the other ethnic groups in the state (Alesina et al. 2003; Montalvo and Reynal-Querol 2005a, b; Baggio and Papyrakis 2010). The Nigerian state is one comprising of both polarized ethnic groups (Yoruba, Hausa and Ibo) competing to control the machinery of state and fractionalized ethnic groups regularly referred to as minority groups who often complain of marginalization in issues of national interest (Osaghae 1998; Falola and Heaton 2008). While Friedman (1962) argued in favour of democratic institutions as the bedrock of economically successful societies, there is need to highlight that democracy on one hand is a political institution of choice. All political institutions that are successful are therefore driven by the common values of the people they govern (North 2003, 2005). From the foregoing, there is ample evidence to suggest that creating political institutions that will effectively govern a people of multiple cultural values is indeed a daunting task. Does this then indicate that ethnically diverse societies such as the Nigerian society have no merit in view of the inherent difficulty in finding a common ground one size fits all institution? The literature on ethnicity mostly argues about the downside of ethnicity on economic growth (Mauro 1995; Easterly and Levine 1997). The core focus of development policy however should be to provide public goods for the citizens of a country irrespective of ethnic polarization or fractionalization. Alesina et al. (1999) provide evidence that ethnic diversity had a tendency to lower the cost of provision of public goods to certain ethnic groups. Such public goods include good roads and healthcare services. In an ethnically diverse society therefore, the tendency is strong for the ruler to skew development towards members of his own ethnic group (North 1981; Baggio and Papyrakis 2010). Osaghae (1998) further elaborated on this incidence in the case of the first National development Plan pursed by the Nigerian government between 1960 and 1966. La Porta et al. (1999) and Kuijs (2000) also show that in an ethnically diverse society, government spending on education and healthcare is considerably low as a result of skewed spending in favour of the ethnic group controlling the machinery of the state. In Nigeria, the provision of good roads, uninterrupted power supply and other essential public goods remain a minor focus of government (Ehwarieme 2010). This can clearly be attributed to failures in the political system which has been predominantly built on ethnic motives. Further evidence for the negative impact of ethnicity on the provision of public services can be found in Miguel and Gugerty (2005) in a study of the evaluation of provision of good roads in Kenya.

3.2 Policy Implications

Economists commonly reject the view that the success or failure of economic systems depends heavily on the suitability of political systems which derive directly from social values, believes and norms (La Porta et al. 1999; North 2003).

A key observation of this study following a review of existing literature is that ethnicity in the political system has been a key detractor in nationally focused developmental plans. This view is supported by a wide range of researchers of African political and economic history such as (Nnoli 1978; Madiebo 1980; Osaghae 1998; Anugwom 2000; Falola and Heaton 2008) to mention a few. In ethnically motivated states, developmental plans are often skewed towards ethnic preferences in a bid to favour the ethnic group controlling federal executive power (Ekeh 1975; North 1981; Herbst 2000; Acemoglu 2005). This protracted developmental strategy has been amplified by the multi-party system in Nigeria which has allowed various ethnic groups to consolidate power in different political parties generated along deep ethnic cleavages (Madiebo 1980; Joseph 1981; Osaghae 1998; Falola and Heaton 2008).

Various efforts have been made by politicians evidenced by Osaghae (1998) and Falola and Heaton (2008) to lead the country onto a path of sustainable development resulting in regular failure as a result of building these initiatives on predominantly weak and ethnically driven institutions. In order to correct the errors of democratically elected civilian governments in achieving sustainable development, the Nigerian military made it a point of duty between 1966 and 1998 to act in the capacity of development and growth tutor (Joseph 1981). Madiebo (1980: 9) shows that of the nineteen strategic military facilities in the country, three are located in the South West, one in the South East and fifteen in the North predominantly in Kaduna City. The military has traditionally attributed the reason for their seizure of power directly to ethnicity or at best prebendalism and corruption, themselves off shoots of ethnicity (Osaghae 1998). This is further evidence of a succession of weak governments following the argument of Acemoglu (2005). Collier (2008) and Baggio and Papyrakis (2010) show that resource rich, ethnically polarized and/or fractionalized states have a huge tendency to fall victim of the natural resource trap. The natural resource trap is a situation whereby nationally focused development policy is overlooked by the government in power which is predominantly constituted of a particular ethnic group. The ethnic group in power finances it's spending with oil wealth under its control thereby minimizing pressure to develop other sectors of the economy.

4. CONCLUSION

Evidence from literature quite explicitly argues that rules and norms by which a society must evolve are driven by the believe system of members of the society. Africans, particularly of Sub-Saharan African origin in view of original geographical conditions of vast amounts of land and inherent uncertainty formed the normative believe that success was based more on luck rather than on hard work as a result of which subsequent redistributive norms were formed to govern their past societies and by default their current societies. These redistributive norms work out on the basis of the expectation that people who good luck had 'knocked on their door' advance some of their livelihood to less fortunate ones for the unitary advancement of society as a whole. On the basis of this view of the redistributive norm which originally was intended as a voluntary process, one can argue that the high incidence of crime and insecurity of life and property in Nigeria is formed on the basis of this redistributive cultural heritage where less fortunate persons take it upon themselves to attack and rob persons whom they consider to have been lucky in acquiring assets which they currently own. Following the literature in Institutional theory, the role of government in the political economy of development of the state can therefore not be over- emphasized. Government centred initiative has the capacity to drive the reformation of value systems across various ethnic groups to ensure that common positive values are echoed across the various groups to form the bedrock of new and progressive institutions. Reward systems for compliance as well as penalties for non-compliance must also be clearly spelt out.

5. RECOMENDATIONS

A key policy recommendation resulting from this study will be to introduce a two- party state, each party driven by a political ideology (left and right wing). The extent of deviation from the centre in each party will then be left to the preference of individual politicians. The advantage of this system is that it will genuinely draw politicians with similar ideologies from the six geo-political zones of the country to the same political party thereby enhancing the Federal Character Principle postulated by the Obasanjo led military government in Nigeria (1976-1979). Earlier worries of marginalization in a two party state by minority ethnic groups who claim that the majority polar ethnic groups will dominate their interests in a two party state can be mitigated by incorporating into law the premise that the structure of the executive arm of each of the two parties should include equal representation from each geo-political region of the country. A rotational system would also be in place to ensure that each region has an opportunity to occupy each office within the executive arm of the political party over a constitutionally agreed period of time. Developmental strategies will therefore be a prerogative of party executives selected across various ethnic groups as opposed to governments formed predominantly from one polar ethnic group. The opposition acting as a shadow government of a similar multi ethnic composition as the government in power will thus be in a better position to monitor accountability and adherence to democratic values by the incumbent government.

A policy recommendation that has the potential to permanently keep the military in their barracks and out of government is to redistribute strategic military facilities across all six geopolitical zones ensuring each zone has only one-sixth of the existing strategic military facilities in the country. Currently, a military junta parading itself as representing the homogenous interest of the entire armed forces only needs to take over Kaduna city in Northern Nigeria alongside all the inherent military facilities in a bid to effectively hold the country and its government to ransom. Under the proposed redistributed system, a military junta will need a broader nationwide coordination to take over the government of the country. Such a level of coordination may well be difficult to achieve under a fairly decentralized system.

The Federal Revenue Allocation Formula adopted under the Gowon led military regime currently draws all State generated revenue to the federal government and a proportion of the bulk sum is redistributed to State and Local governments using a fixed and equal percentage. This current formula naturally causes an ethnic drive to control the federal government (military or civilian) in a bid to exploit prebendalistic opportunities represented in the burgeoning federal purse as a result of the country's vast reserve of natural resources. Revenue distribution should be based on a proper federal structure where the state governments contribute a portion of their revenue to the federal government. Apart from mitigating this unhealthy ethnic drive for federal supremacy, the natural resource trap would be subdued as the prevailing revenue allocation structure currently encourages state governments (formed predominantly along ethnic lines) to become complacent in terms of developing other job and revenue creation incentives for their indigenes as they stand to be in receipt of federally distributed revenue flowing predominantly from the South South oil rich Niger Delta region. With the termination of revenue flowing from the federal government, state governments will be forced to hone their skills towards creation of industries of key strength such as manufacturing and agriculture, in which the country currently has a very high capacity for but which have been neglected since the country found itself in the natural resource trap. Such growth in other sectors will see a rise in Real GDP per capita as the federal economy will experience a broader magnitude of diversification away from an economy dependent on crude oil exportation and susceptible to macroeconomic shocks such as seen in the 70's.

Finally, facilities of national interest such as airports, seaports, crude oil refineries and stock exchanges should be located in each of the six geopolitical zones to create a sense of egalitarian national development. The decentralization of the stock exchange will provide investors with ample choice driven by healthy competition. It is hoped that the renewed competition will result in real time adjustment of stock prices to publicly available information which is currently not provided by the current sole stock exchange.

The overall advantage of these recommendations will be to create a balanced development profile across all geopolitical zones in the country by so doing killing the ethnic incentive by one ethnic group to out do the other. Evidence from literature suggests that financial development drives economic growth; therefore the creation of the additional six stock exchanges highlighted above in addition to the already concluded capital consolidation of the Nigerian banking sector will see a huge volume of capital flow into the stock market and the banking system to tap into the virgin market for manufacturing with its resultant ripple effect across other sectors of the economy. The opening of the stock market is therefore strongly recommended for sporadic economic growth.

In order to improve corporate and consumer lending by banks, it is further recommended that a post code system be implemented to enable banks improve on credit control hence minimizing the downside of lending.

With the above recommendations in place, the essence of a bi-cameral legislature would be defeated as a result of a weakened federal government thereby leading to a uni-cameral structure or the Senate at the top, a more independent judiciary and stronger local and state governments acting as profit centres accountable for their own pace of growth.

The above collective and inclusive action policy framework if properly communicated to members of the society will not only increase their sense of commitment to nationally focused goals such as payment of taxes, voting in elections etc. but will also ensure that members of different ethnic groups become less suspicious of each other thereby increasing inter-ethnic interactions such as trading and other economic activities.

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