HISTORICAL REVIEW OF THE ROLE OF GOVERNMENT IN THE MANAGEMENT OF NIGERIAN MODERN ECONOMY, 1986-2023

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ABSTRACT

This study provides a historical review of the Nigerian government's role in managing the modern economy from 1986 to 2023, employing neoliberalism as the theoretical framework. Neoliberal principles have significantly influenced government policies, promoting market efficiency, economic liberalisation, and private sector development through privatisation, deregulation, and trade liberalisation in response to economic crises and public sector inefficiencie. The research involves a qualitative analysis of government strategies and their impacts on economic management. Findings indicate that despite several initiatives aimed at fostering economic stability, challenges such as corruption, policy inconsistency, insecurity, overdependence on oil, and ineffective regulatory frameworks persistently undermine effectiveness. The study concludes that the government's role is critical for sustainable growth and development. Recommendations include strengthening anti-corruption measures, ensuring policy continuity, improving security, diversifying the economy, and enhancing regulatory frameworks. By addressing these systemic issues, Nigeria can achieve economic diversification, improve social welfare, and enhance resilience against external shocks, positioning itself as a stable and thriving economy globally.

Keywords: Neoliberalism, Economic Management, Privatisation, Regulatory Framework, Economic Diversification

INTRODUCTION

The Nigerian economy has undergone significant transformations since gaining independence in 1960. Initially reliant on agriculture, the discovery of oil in the late 1960s shifted the economic focus towards the petroleum sector, which has since dominated the economy. By the 1980s, Nigeria faced severe economic challenges, including declining oil prices, which prompted the government to implement the Structural Adjustment Program (SAP) in 1986. This program aimed to stabilize the economy through deregulation, privatization, and fiscal austerity measures, marking a pivotal shift in government economic management strategies (Ogunleye, 2020). From 1986 to 2023, the Nigerian government has played a crucial role in shaping economic policies. The economy is classified as a mixed economy, with oil accounting for a significant portion of government revenue—approximately two-thirds by the early 2000s, despite contributing only about 9% to the GDP (World Bank, 2023). The agricultural sector, once a major contributor to the economy, has struggled due to urban migration and inadequate investment, leading to increased food imports (Ogunleye, 2020).

Government interventions have included various policies aimed at revitalizing agriculture and promoting industrialization. For instance, the Operation Feed the Nation program in the late 1970s sought to enhance local food production, although its long-term effectiveness has been debated (Ogunleye, 2020). Additionally, the government has pursued privatization of state-owned enterprises to improve efficiency and service delivery, particularly in sectors like telecommunications and power (World Bank, 2023).

Statistically, Nigeria's GDP has fluctuated significantly, with a nominal GDP of approximately $252.738 billion in 2024, ranking it as the 53rd largest economy globally (International Monetary Fund, 2024). However, challenges such as high inflation rates, which reached 22.6% in early 2025, and an unemployment rate of 22.6% highlight ongoing economic struggles (National Bureau of Statistics, 2025). Furthermore, the country has grappled with corruption, which undermines economic management and public trust (Ogunleye, 2020). The Nigerian government's role in economic management from 1986 to 2023 has been characterized by a series of reforms aimed at stabilizing and diversifying the economy. However, persistent challenges remain, necessitating ongoing evaluation and adaptation of policies to foster sustainable economic growth.

THEORETICAL PERSPECTIVES

Neoliberalism is adopted as the theoretical framework for this study because it offers insights into the role of government in promoting market efficiency, economic liberalisation, and private sector development. In the context of the Nigerian modern economy, the principles of neoliberalism have influenced various government policies aimed at privatisation, deregulation, and trade liberalisation. These measures have been implemented in response to economic crises and the need to reduce public sector inefficiencies (Ogbuagu & Ekpenyong, 2015). The Structural Adjustment Programme (SAP) introduced in Nigeria in the mid-1980s is a notable example of neoliberal reforms intended to stabilise the economy and stimulate growth. By focusing on market-based solutions, this theoretical framework provides a lens through which to analyse how government policies align with or diverge from neoliberal ideals.

Neoliberalism emerged in the 20th century as a response to the perceived failures of Keynesian economics and the growing influence of socialist ideologies. Its development is largely attributed to economists such as Friedrich Hayek and Milton Friedman (Harvey, 2005). Hayek's work emphasised the dangers of centralised planning and advocated for individual freedom in economic decision-making (Hayek, 1944). Similarly, Friedman's contributions centred on the importance of monetary stability and minimal government interference in the economy (Friedman, 1962). These scholars laid the foundation for neoliberal economic principles, which were later adopted by policymakers in countries such as the United States and the United Kingdom during the Reagan and Thatcher administrations. Their ideas have since influenced global economic policies, including those in developing economies like Nigeria.

Neoliberalism is an economic theory that emphasises the primacy of the market as the most efficient mechanism for allocating resources and fostering economic development. It advocates for limited government intervention in economic activities, focusing instead on privatisation, deregulation, and trade liberalisation (Harvey, 2005). Under neoliberal principles, the role of the state is redefined from being a provider of goods and services to an enabler of private sector activities. The theory posits that free markets, when left unhindered, can lead to innovation, productivity, and overall economic growth (Friedman, 1962). In the Nigerian context, neoliberal reforms have included privatising state-owned enterprises, liberalising trade policies, and

promoting foreign direct investment as strategies to stimulate economic growth and reduce public sector inefficiencies.

Despite its widespread influence, neoliberalism has faced significant criticisms and limitations. One of its major flaws is its assumption that free markets are inherently self-regulating and efficient (Harvey, 2005). In practice, market failures, such as monopolies and environmental degradation, often necessitate government intervention. Additionally, the emphasis on austerity measures under neoliberal reforms has been linked to social inequalities and reduced access to essential public services, particularly in developing countries like Nigeria (Ogbuagu & Ekpenyong, 2015). The deregulation of key sectors can also lead to exploitation and price volatility, negatively impacting vulnerable populations. Critics argue that the rigid application of neoliberal principles overlooks the unique socio-economic and political contexts of different nations.

However, Neoliberalism provides a useful framework for analysing the role of the Nigerian government in managing the modern economy, particularly through market-oriented reforms. While the theory highlights the importance of reducing government involvement and promoting private sector participation, its limitations underscore the need for a balanced approach that incorporates social welfare and effective regulation. In applying this theoretical perspective, the study acknowledges the successes and failures of neoliberal-inspired policies in Nigeria, offering insights into how the government can better navigate the complexities of modern economic management. Understanding these dynamics is crucial for crafting policies that foster sustainable growth, reduce inequalities, and ensure inclusive development.

CONCEPTUAL CLARIFICATIONS

Government

The concept of government refers to the system or group of individuals that exercise authority over a state or community. Governments are responsible for creating and enforcing laws, providing public services, and maintaining order and stability within a given territory (Heywood, 2019). They can take various forms, including democratic, authoritarian, and hybrid systems. In the context of the Nigerian modern economy, government refers to the federal, state, and local

levels of authority that collaborate to formulate policies and manage economic resources. The Nigerian government plays multiple roles, such as regulating key economic sectors, facilitating trade, and promoting development. Through its regulatory agencies, including the Central Bank of Nigeria (CBN) and the Nigerian Communications Commission (NCC), the government seeks to ensure economic stability and protect public interest. Understanding the government's functions is crucial for analysing its impact on Nigeria's evolving economic landscape.

Modern Economy

A modern economy is characterised by advanced industrial and technological development, diverse economic sectors, and a significant degree of global integration (Blanchard, 2021). Unlike traditional economies that rely heavily on subsistence farming and barter trade, modern economies leverage technology, financial systems, and international trade to drive growth. Key features of modern economies include industrialisation, innovation, a service-oriented workforce, and digital financial systems. The Nigerian modern economy exhibits some of these characteristics, particularly in sectors such as telecommunications and financial services. However, challenges such as overdependence on oil revenues and inadequate infrastructure have hindered its full transformation into a modern economy (World Bank, 2022). The government's role in facilitating technological advancements, promoting industrialisation, and creating an enabling environment for businesses is essential to Nigeria's aspiration for sustained economic growth and development.

ROLES OF GOVERNMENT IN THE MANAGEMENT OF THE NIGERIAN MODERN ECONOMY, 1986-2023

Policy Formulation and Economic Planning

Policy formulation and economic planning are essential functions of government aimed at fostering national development and ensuring economic stability. In Nigeria, economic plans have historically guided government strategies for economic growth and diversification. National Development Plans (NDPs), including the First (1962–1968), Second (1970–1974), and Third (1975–1980) development plans, focused on infrastructural development, industrialisation, and poverty alleviation (Iyoha & Oriakhi, 2002). More recently, Vision 20:2020 sought to position Nigeria among the top 20 global economies by 2020 through structural reforms and private sector engagement (National Planning Commission, 2009). Another significant strategy, the

Economic Recovery and Growth Plan (ERGP), introduced in 2017, aimed to restore economic growth, promote macroeconomic stability, and boost investment (Federal Ministry of Budget and National Planning, 2017). These planning frameworks underscore the government's role in shaping the economy and guiding development.

Regulation and Supervision

The regulation and supervision of economic activities are crucial for ensuring market efficiency, protecting consumers, and maintaining financial stability. In Nigeria, several regulatory agencies oversee different sectors of the economy. The Central Bank of Nigeria (CBN) regulates monetary policy and ensures the stability of the financial system, while the Securities and Exchange Commission (SEC) supervises the capital market (CBN, 2022). Other agencies, such as the National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organisation of Nigeria (SON), are responsible for regulating product standards and ensuring public safety (NAFDAC, 2021). Financial market regulations are designed to prevent fraud, protect investors, and maintain the integrity of financial transactions. By establishing clear rules and enforcing compliance, these regulatory agencies help create an environment that supports sustainable economic growth and development in Nigeria.

Provision of Infrastructure and Public Goods

The provision of infrastructure and public goods is a fundamental responsibility of government, as these are essential for the functioning of a modern economy. Infrastructure such as roads, electricity, and communication networks facilitates economic activities and improves productivity (World Bank, 2020). In Nigeria, the government has invested in projects aimed at addressing infrastructural deficits, such as the expansion of road networks and power generation facilities. The transportation sector has seen improvements through initiatives like the Lagos-Ibadan Expressway and Abuja-Kaduna rail line projects (Federal Ministry of Works and Housing, 2021). Similarly, investments in the energy sector, including renewable energy projects, aim to reduce Nigeria's power deficit. The government's role in providing communication infrastructure has also contributed to the rapid growth of the telecommunications industry. Ensuring continued investment in infrastructure development is critical for fostering economic growth and competitiveness.

Economic Stabilisation

Economic stabilisation is a key objective of government policy, aimed at maintaining macroeconomic stability and promoting sustainable growth. In Nigeria, monetary policies implemented by the Central Bank of Nigeria (CBN) play a vital role in stabilising inflation, exchange rates, and money supply (CBN, 2022). These policies include adjustments to interest rates and the use of open market operations to influence liquidity in the economy. Fiscal policies, which involve government decisions on taxation and public spending, are also essential for economic stabilisation (Iyoha & Oriakhi, 2002). Through budgetary allocations and tax reforms, the government seeks to manage economic cycles, reduce unemployment, and fund critical development projects. Effective coordination between monetary and fiscal policies is necessary to address challenges such as inflation, fiscal deficits, and foreign exchange volatility. By stabilising the economy, the government creates an environment conducive to investment and economic growth.

Investment Promotion and Industrial Development

Investment promotion and industrial development are essential components of Nigeria's economic growth strategy. The government facilitates industrial development by creating an enabling environment for investment, both local and foreign. One significant initiative is the establishment of free trade zones, such as the Lagos Free Trade Zone and the Calabar Free Trade Zone, which provide investors with access to duty-free imports, tax incentives, and simplified customs procedures (NEPZA, 2022). These zones encourage manufacturing, export-oriented businesses, and job creation.

Additionally, the government offers various incentives to attract investment, including tax holidays, pioneer status grants, and exemptions from import duties on capital goods (NIPC, 2021). These measures aim to reduce operational costs and enhance business profitability. The Nigerian Investment Promotion Commission (NIPC) plays a crucial role in facilitating investor engagement and reducing bureaucratic bottlenecks. Despite these efforts, challenges such as policy inconsistency, inadequate infrastructure, and security concerns continue to hinder industrial development. Nevertheless, fostering investment and industrialisation remains critical to diversifying Nigeria’s economy and reducing dependence on oil revenues.

Social Welfare and Poverty Alleviation

The Nigerian government has implemented several social welfare programmes aimed at reducing poverty and enhancing the living standards of its citizens. Social protection initiatives like the N-Power programme provide job opportunities and vocational training for unemployed youths across the country (Federal Ministry of Humanitarian Affairs, 2021). Similarly, the TraderMoni scheme offers interest-free microloans to small-scale traders and artisans, empowering them to grow their businesses and achieve financial stability.

In addition to direct social programmes, the government subsidises essential goods such as fuel and fertiliser to ease the financial burden on citizens (World Bank, 2020). These interventions help mitigate the impact of economic challenges, particularly for low-income households. However, issues such as corruption, poor targeting, and limited funding have hindered the effectiveness of these programmes. To address these challenges, there is a need for greater transparency, improved monitoring mechanisms, and increased investments in social welfare initiatives. By strengthening social protection systems, the government can foster inclusive development and reduce economic disparities.

Foreign Trade and Exchange Rate Management

Foreign trade and exchange rate management are critical components of Nigeria's economic strategy, influencing the country's global competitiveness and balance of payments. The government engages in trade agreements and regional blocs such as the African Continental Free Trade Area (AfCFTA) to promote exports and economic integration within the continent (AfDB, 2021). These agreements facilitate the movement of goods and services, enhance trade partnerships, and provide access to larger markets for Nigerian products.

The management of exchange rates is primarily handled by the Central Bank of Nigeria (CBN). Through measures such as the adoption of a managed floating exchange rate system, the CBN aims to stabilise the naira and ensure foreign exchange availability (CBN, 2022). Exchange rate stability is essential for fostering investor confidence, maintaining inflation control, and supporting trade activities. However, challenges such as foreign exchange shortages, speculative activities, and currency depreciation have posed difficulties. Effective exchange rate management, alongside strategic trade agreements, remains crucial for Nigeria's integration into the global economy and sustainable economic development.

CHALLENGES FACING GOVERNMENT'S ROLE IN ECONOMIC MANAGEMENT

Corruption and Mismanagement

Corruption and mismanagement are among the most persistent challenges undermining the Nigerian government's role in effective economic management. Corruption manifests in various forms, including embezzlement of public funds, bribery, and procurement fraud, which divert resources meant for infrastructure development, social welfare, and economic growth (Ogbuagu & Ekpenyong, 2015). According to Transparency International (2020), Nigeria ranks among the most corrupt countries globally, which hampers the efficient allocation and utilisation of resources. Mismanagement of state-owned enterprises and government budgets exacerbates the problem, leading to wasted investments, inefficient public services, and economic stagnation. Despite the government's efforts to combat corruption through agencies such as the Economic and Financial Crimes Commission (EFCC), the persistence of corrupt practices and weak enforcement of anti-corruption laws continue to hinder Nigeria's economic progress. Addressing corruption is vital for ensuring that resources are effectively channelled into productive sectors, promoting long-term sustainable development.

Policy Inconsistency

Policy inconsistency remains a significant challenge in Nigeria's economic management. Frequent changes in economic policies, regulatory frameworks, and legal reforms have created uncertainty for investors and hindered long-term economic planning. For example, inconsistent policies regarding foreign exchange controls, trade tariffs, and the petroleum sector have discouraged foreign investment and complicated business operations (Adeniran & Olayemi, 2019). This lack of continuity in policy also affects the credibility of the government, as investors and businesses struggle to adapt to shifting regulations. Moreover, the transition between different political administrations often leads to a change in focus and priorities, which disrupts ongoing projects and undermines the efforts to achieve economic stability and growth. A consistent, transparent, and predictable policy framework is essential for attracting investment, fostering innovation, and achieving sustainable economic development in Nigeria.

Insecurity

Insecurity is one of the most significant obstacles to Nigeria's economic development and effective governance. The pervasive threat of terrorism, insurgency, kidnapping, banditry, and

communal conflicts disrupt economic activities, deter foreign investment, and create an unstable environment for businesses. Regions like the Northeast, Northwest, and parts of the Middle Belt are particularly affected, with violence and insecurity leading to the displacement of populations, loss of lives, and destruction of property (Akinyemi, 2021). These security challenges undermine the government's ability to implement and execute development projects, as resources are diverted to security efforts instead of productive sectors. The persistent insecurity also hampers agricultural productivity, disrupts trade, and discourages tourism and investment. To address these challenges, there is a need for comprehensive security reforms, improved intelligence gathering, and better coordination between security agencies to restore stability and confidence in the country's economic management.

Overdependence on Oil Revenue

Nigeria's overdependence on oil revenue remains a critical vulnerability in its economic management. Oil has historically accounted for a significant portion of Nigeria's export earnings and government revenues, making the economy highly susceptible to fluctuations in global oil prices (Akinwale, 2020). This overreliance on oil has led to the neglect of other sectors, such as agriculture, manufacturing, and services, resulting in an unbalanced and unsustainable economic structure. During periods of oil price decline, the Nigerian government faces severe fiscal deficits, inflation, and foreign exchange shortages. Efforts to diversify the economy, such as the Agricultural Transformation Agenda and the promotion of non-oil exports, have yielded limited success due to structural challenges, infrastructure deficits, and policy inconsistencies. Reducing Nigeria's dependence on oil is essential for long-term economic resilience, and the government must prioritise diversification through investment in other sectors such as agriculture, technology, and renewable energy.

Ineffective Regulatory Frameworks

Ineffective regulatory frameworks present a significant challenge to Nigeria's economic development. The lack of a comprehensive, transparent, and efficient regulatory environment often leads to market inefficiencies, corruption, and a lack of accountability in key sectors. For example, in the oil and gas sector, inconsistent regulations and weak enforcement mechanisms have resulted in environmental degradation, illegal oil bunkering, and revenue losses for the government (Ite & Rimmer, 2019). Similarly, the financial sector faces challenges with

inadequate regulation of capital markets and weak oversight of financial institutions, leading to irregularities, fraud, and systemic risks. Despite the establishment of regulatory bodies such as the Nigerian Electricity Regulatory Commission (NERC) and the Nigerian Communications Commission (NCC), the enforcement of regulations remains inconsistent and plagued by political interference. Strengthening regulatory frameworks, improving enforcement, and reducing political interference are essential steps toward fostering an environment conducive to economic growth, investment, and development.

CONCLUSION

In conclusion, the role of the Nigerian government in economic management is critical to achieving sustainable growth and development. While the government has implemented several strategies and policies aimed at fostering economic stability, challenges such as corruption, policy inconsistency, insecurity, overdependence on oil, and ineffective regulatory frameworks continue to undermine its effectiveness. Addressing these challenges requires a holistic approach that includes strengthening anti-corruption measures, ensuring policy continuity, improving security, diversifying the economy, and enhancing regulatory frameworks. The government's ability to effectively manage the economy will depend on its commitment to transparency, accountability, and strategic long-term planning. Only by addressing these systemic issues can Nigeria hope to achieve economic diversification, social welfare improvements, and greater resilience in the face of external shocks, ultimately positioning itself as a stable and thriving economy in the global arena.

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