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WASHINGTON AND POST-WASHINGTON CONSENSUS GROWTH POLICIES: PRACTICE AND IMPACTS ON THE NIGERIAN ECONOMY

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ABSTRACT
This paper examines the practice of Washington and Post-Washington consensus growth policies and its impacts on the Nigerian economy. It traced major economic reforms adopted in Nigeria from the administration of President Shehu Shagari in the second Republic to the present administration led by President Muhammadu Buhari. The policies adopted throughout the period were a blend of institutional plans, market mechanism and reforms. The major policies practiced in the period include: government control, privatization, liberalization, anti-corruption, public sector reforms, governance and institutional reforms among others. Secondary data was collected from CBN bulletin and descriptive statistics of tables and graphs were adopted in analysis.The paper revealed that the policies achieved a moderate economic growth with macroeconomic instability, unemployment and high poverty incidence in Nigeria. The paper also revealed that the anti-graft agencies are weak and that corruption has eaten deep into the fabrics many Nigerians. Also, the privatizations of the power and downstream petroleum sectors have not yielded the much desired results. The paper advocates for proper implementation of fiscal responsibility laws to ensure greater fiscal discipline, transparency, accountability and good governance in Nigeria.

INTRODUCTION

The issue of economic growth and development has since in the mid1950s, occupied the minds of many scholars in various fields of endeavor. The rationale behind this was to see how the lees developed economies will keep at par with developed ones. This led to the development of many growth models. For example, the Solow's model suggested that the poor countries would grow faster and therefore, converge with the developed nations through the equalization of the marginal returns to the factors of production. The position of the Solow's growth model was widely accepted with divergence between the Kenyesians (World Bank centred economic growth policies) and the Monetarists (IMF centred economic growth policies).

The Keynesians argued that to keep the less developed economies at par with the developed ones it requires state intervention, industrial policy and redistribution. On the contrary, the monetarists believe that state intervention would fail, and that free market policies would offer the most promising

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avenue for rapid growth and improvement of the lots of the poor countries. It should be noted that the rise of the monetarists and new-classicals between the mid 1970s and late 1980s shifted growth theory towards trickle-down proposition. The trickle-down protagonists believe that the dividends of growth would trickle down to address the issue of poverty and inequality if and only if the Washington Consensus (WC) economic policies are applied.

Consequently, the failure of this strategy, the rise of New-Institutional economics and the growing pressure on the World Bank and the International Monetary Fund (IMF) compelled the mainstream and these international financial institutions (IFIs) to address the problems of growth, poverty and inequality (Alfredo, 2010). By the late 1990s and early 2000s, the mainstream approach became a divide between the Washington Consensus (WC) the Post-Washington Consensus (PWC). This paper examines the growth policies of the Washington and Post-Washington Consensus with particular reference to its practice and impacts in the Nigerian economy.

The Washington and Post-Washington Consensus Growth Policies

It will apparently be meaningless to delve into the practice of Washington and Post-Washington Consensus growth policies in Nigeria without looking at its propositions. The PWC economic policy was proposed by Joseph Stiglitz in 1998. The rise of the PWC was as a result of the failure of the WC economic policies in the 1990s. Stiglitz, the then president of the World Bank, after carefully scrutinizing the WC policies, starting with the implications of the East Asian success and recognizing the association of this success with distribution of income and assets, mass education and state guidance of investment, proposed the PWC economic growth model. The PWC growth model advocated for a shift away from the neoclassical emphasis on competition and virtues of free markets, to the institutional setting of economic activity. The protagonists rejected the WC for its dislike to state intervention and questioned its conventional stabilization policies for their adverse short and long term impacts. According to Harriss, Hunter and Lewis (1998), "following the new institutional economic theory, the PWC can provide a more understanding of economic growth and development". They noted that the PWC is comparatively state-friendly in terms of policy. To them, it offers a rationale for discretionary intervention across a broad spectrum of economic and social policies. Also, it remains fundamentally pro market, supporting a poorly examined process of globalization which should have a more human face, because it would be supported by appropriate institutions. The PWC recognizes that market plays prominent role in economic growth and development (Stiglitz and Greenwald, 2003).

The PWC places emphasis heavily on the importance of appropriate institutions for growth. To this end, economic and development depends on strong institutions and reforms of weak ones. The proponents believe that getting the institutions right is the 'Mantra', just like getting the prices right is the 'Mantra' of the WC. The critics of the PWC economic policies argued that since it is pro market, it is nothing but WC plus. That is, it adds some lists of growth policies to those of WC. The policies are summarized in the table below:

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Table 1: Economic Growth Policies of the Washington and Post-Washington Consensus

S/N	Washington Consensus (WC)	Post Washington Consensus (PWC)
1.	Secure property rights	Anti-corruption
2.	Deregulation	Corporate governance
3.	Fiscal discipline	Independent central bank
4.	Tax reform	Financial codes and standards
5.	Privatization	Flexible labour markets
6.	Re-orientation of public expenditure	WTO agreement
7.	Financial liberalization	Prudent capital market opening
8.	Trade liberalization	Non-intermediate exchange rate regimes
9.	Openness to FDI	Social safety nets
10.	Unified and competitive exchange rate	Targeted poverty reduction

Source: Culled from Alfredo, 2010. P7

According to Krueger (2004), "these policy recommendations, added by PWC were eventually welcomed even by the IMF. This is because in the past decade, we have come to realize that economic stabilization policies have come to encompass a much wider range of factors than had previously been recognized. These include fiscal and debt sustainability, sound national and corporate governance, effective and respected institutions, a well established legal system, recognition of, and protection for property rights, a well-functioning financial sector etc". The proponents of the PWC believe that these are vital ingredients for lasting economic success in any given economy.

The Practice of the WC and PWC Growth Policies in Nigeria

The need for the adoption of economic reforms was first introduced in Nigeria in 1983, under President Shehu Shagari. This was the period when economic problems forced the country to seek a balance of payments support loan from the International Monetary Fund (IMF) as well as a Structural Adjustment loan from the World Bank. In November 1983, the Central Bank of Nigeria (CBN), through a memorandum, advised the Federal Government of Nigeria to initiate economic reforms. However, the president Shagari led administration could not introduce any economic reform due to the take-over of the government by the Buhari/Idiagbon Military insurgence (Adeyemi, 2009).The military administration of Buhari and Idiagbon was concerned more in tighter government control curbing corruption among public officials. In 1985, the government was overthrown by General Ibrahim Babangida. The Babangida's regime was more favourably disposed to economic reforms. The government allowed Nigerians to publicly debate the desirability of taking an IMF loan. This was because the conditions attached to the loans tended to relieve the government of some responsibilities for direct economic management since they favoured economic liberalization. The IMF loan debates of 1985 centred on the issue of whether administrative allocation of resources should continue, or switch over to reliance on the market mechanism. The debate ended with a rejection of the IMF loan and its conditionalities.

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Despite this, the Babangida's regime drew up an economic reform programme that incorporated all the conditionalities of the IMF loan. The Federal Government of Nigeria used the budget of 1986 to unveil the new economic reform programme. A formal version of the programme, called Structural Adjustment Programme (SAP), which was supported by the IMF, took off on July 1, 1986. It was scheduled to last years. But SAP was pursued up to August 27, 1993 when president Babangida left office.

The regime of General Sanni Abacha (1993-1998) abandoned some aspect of the economic reforms and pursued what it dubbed "guided deregulation". The regime of General Abdulsalam Abubakar (1998-1999) laid the foundations and legal framework for the second phase of the privatization exercise that continued under President Olusegun Obasanjo (1999-2007).The Obasanjo's administration continued with the removal of subsidies on petroleum products, right sizing of the public sector workforce, and the enthronement of macroeconomic stability. On December 18, 2003, while presenting the 2004 Budget proposal to the National Assembly, he announced a medium term economic reform programme which is formally set out in the National Economic Empowerment and Development Strategy (NEEDS) document. According to Adeyemi (2009), the reform focused on the following areas:

- ❖ Accelerated Privatization, Liberalization and Private Sector Development
- ❖ Anti-corruption, Transparency and Accountability
- ❖ Public Sector Reform
- ❖ Governance and Institutional Reforms

The petroleum Industry Bill (PIB) that was presented by President Umaru Musa Yar'Adua, was re-introduced by President Goodluck Jonathan. Also, Jonathan introduced the Power Sector Road Map, these are aimed at deregulating the downstream petroleum sector through removal of petroleum subsidies and the privatization of the power sector respectively. This is captured in Jonathan's budget speech thus:

We are implementing the privatization of the power sector roadmapwhich I unveiled last year. We believe that the power sector canbenefit from liberalization and privatization by attracting investorsin the same manner as the telecommunication sector has done....With regards to the petroleum sector, the Federal Government isconscious of the need to bring the Petroleum Industry Bill (PIB)debate to conclusion so as to give investors the comfort and policycertainty that they require.

The Federal Government in an attempt to stabilize the nation's financial system, embarked on series of reforms in the financial sector through the Central Bank of Nigeria (CBN). The reform focused on liquidity adequacy, inter-bank lending, corporate governance issues and risk-based banking supervision and examination of financial institutions. To pursue and achieve this policy, the Federal Government, through its agency CBN, established the Asset Management Corporation of Nigeria (AMCON). The rationale behind this move was to ensure accelerated economic growth, job creation and poverty reduction.

The Federal Government throughout the under review, has paid little or no attention to social safety nets. According to Asian Development Bank (2011), social safety nets (SSN) are policies and programmes designed to reduce economic poverty and vulnerability among the people which involve series of government actions in the areas of promoting efficient labour markets, reducing people's exposure to risks and enhancing their capacity to protect themselves against hazards and loss of income. The

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Asian Development Bank pointed out that SSN cover broad areas of:

- ❖ Labour Market Policies and Programmes
- ❖ Social Insurance Programmes
- ❖ Social Assistance and Welfare Services Programmes
- ❖ Micro and Area-Based Schemes
- ❖ Child Protection Programmes

The major policy directions of the government aimed at guaranteeing social safety nets (SSN) in Nigeria is the introduction of NEEDS and AMNESTY Programme. The NEEDS offered good policies and programmes that seem lofty to properly handle SSN in Nigeria, but it suffered poor implementation syndrome of the Nigerian government. Also, the Amnesty programme seems particularistic in nature as it targets insignificant population of youths interested in violence and criminality without considering the teaming population of youth graduates that are unemployed. According to Sanubi (2011), the Amnesty programme is approaching its last phase of implementation and there are already much incidence of government's failure and lack of commitment. There have been irregular payments of the maintenance allowances accompanied with poor training facilities (in staff, vehicles, training kits and other materials for practical) which have occasionally forced the resurgence of militancy as it is today with the activities of the Niger Delta Avengers (NDA).

These are the major economic growth policies and programmes which the Nigerian government adopted to meet the loan conditions of the International Financial Institutions (IMF and World Bank) offered to the less developed countries (LDCs) for development projects.

The Impacts of WC and PWC Policies on the Nigerian Economy

The various economic reforms adopted in Nigeria as copied from the WC and PWC growth models achieved moderate growth, but with unstable macroeconomic environment. However, it failed to reduce the problem of unemployment and incidence of poverty in Nigeria. This is shown in table 2:

Table 2: Trends of Real Gross Domestic Product (GDP), Exchange Rate (EXR), Inflation Rate (INFR), and Unemployment Rate (UER) in Nigeria, 1980-2015

YEARS	Real GDP₦'Billion	EXR (%)	INFR (%)	UER (%)
1985	201,036.27	0.8938	5.5	6.1
1986	205,971.44	2.0206	5.4	5.3
1987	204,806.54	4.0179	10.2	7.0
1988	219,875.63	4.5367	38.3	5.3
1989	236,729.58	7.3916	40.9	4.5
1990	267,549.99	8.0378	7.5	3.5
1991	265,379.14	9.9095	13.0	3.4
1992	271,365.52	17.2984	44.5	2.7
1993	274,833.29	22.0511	57.7	2.7
1994	275,450.56	21.8861	57.0	2.0
1995	281,407.40	21.8861	72.8	1.8

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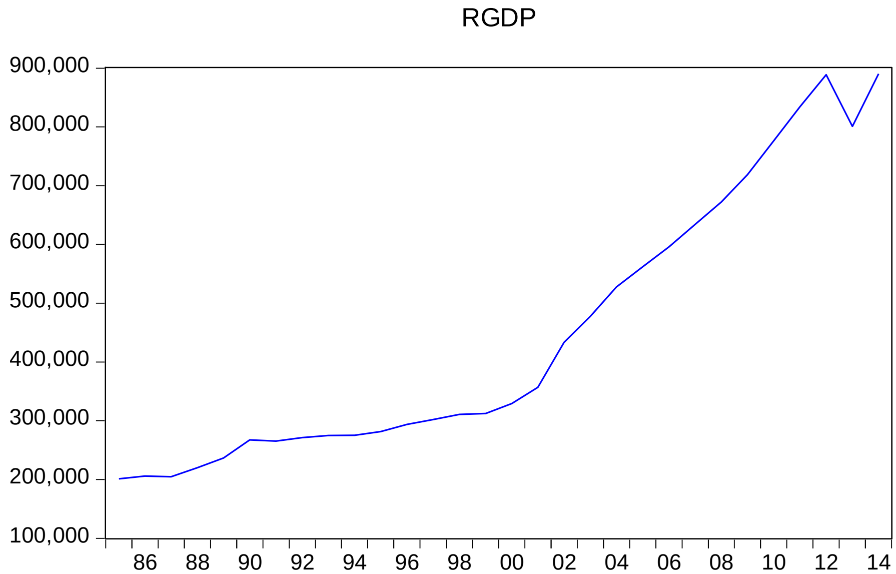
1996	293,745.38	21.8861	29.3	3.4
1997	302,022.48	21.8861	8.3	3.2
1998	310,890.05	21.8860	10.0	3.2
1999	312,183.48	92.3428	6.6	3.1
2000	329,178.74	100.8016	6.9	13.1
2001	356,994.26	111.7010	18.9	13.6
2002	433,203.51	126.2577	12.9	12.6
2003	477,532.98	134.0378	14.0	14.8
2004	527,575.04	132.3704	15.0	13.4
2005	561,931.39	130.6016	17.9	11.9
2006	595,821.61	128.2796	8.5	12.3
2007	634,251.14	125.8810	6.6	12.7
2008	672,202.55	118.8606	15.1	14.9
2009	718,977.33	150.0124	13.9	19.7
2010	776,332.21	149.1732	11.8	14.9
2011	834,161.83	154.1806	10.3	21.4
2012	888,890.0	156.3186	12.0	27.4
2013	800,925.6	155.2438	8.0	24.7
2014	890,436.2	162.3301	8.0	9.9

Source: CBN Statistical Bulletin, 2014

Fig 1: Trend of realGDP (RGDP) in Nigeria, 1985 to 2014



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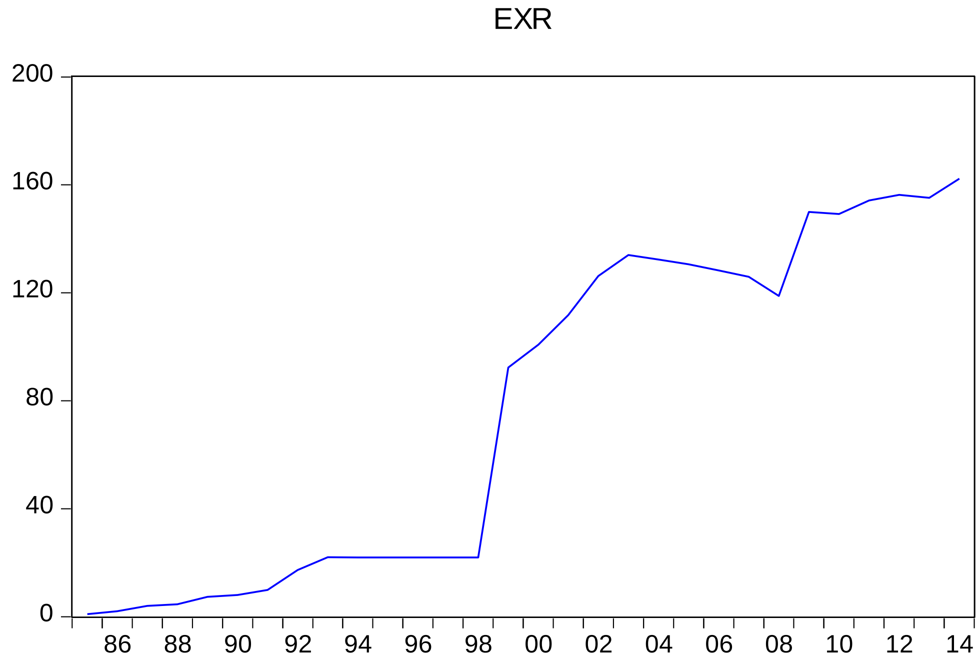
The graph in figure 1: shows trend of real gross domestic product. It indicates that the real gross domestic product grew steadily in the period under review but declined sharply in 2013 and again in 2014. This means that the policies of Washington and Post-Washington consensus have faired well in terms of achievingquantitative increase in economic growth in Nigeria.

The graph in figure 2: shows the trend of exchange rate movement. The movement indicates high volatility and depreciation in the rate of Naira exchange with the US Dollar. This is a sign of macroeconomic instability in the face of the policies of Washington and Post-Washington Consensus adopted in Nigeria.

Fig 2: Trends of Exchange Rate (EXR) in Nigeria, 1985 to 2014



In figure 3: the graph showing the inflationary trend in indicates that the Nigerian economy witnessed unprecedented rise in the general price level.

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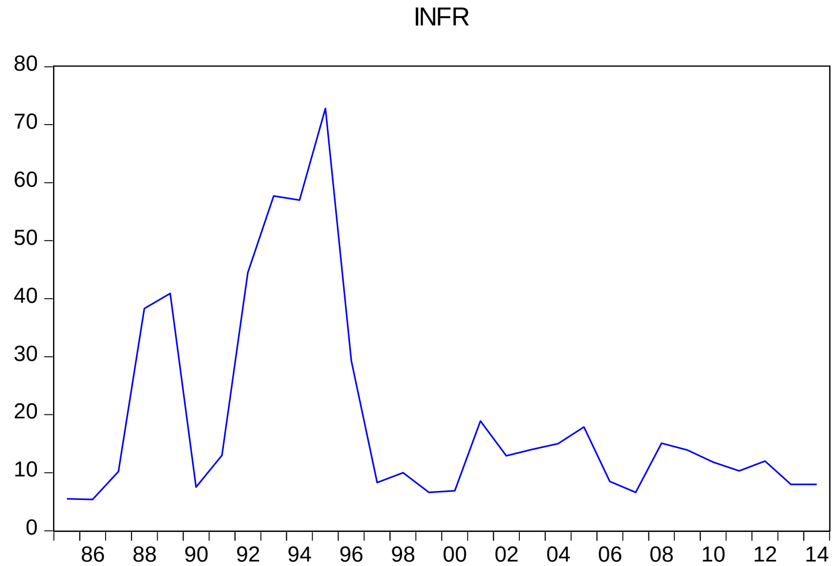
Fig 3: Trends of Inflation Rate (INFR) in Nigeria, 1985 to 2014



In figure 4: the graph showing the trend of unemployment indicates that the rate of unemployment grew with the growth of real GDP indicating immiserization growth performance, that is , growth with unemployment, poverty and inequality.

Fig 4: Trends of Unemployment Rate (UER) in Nigeria, 1985 to 2014

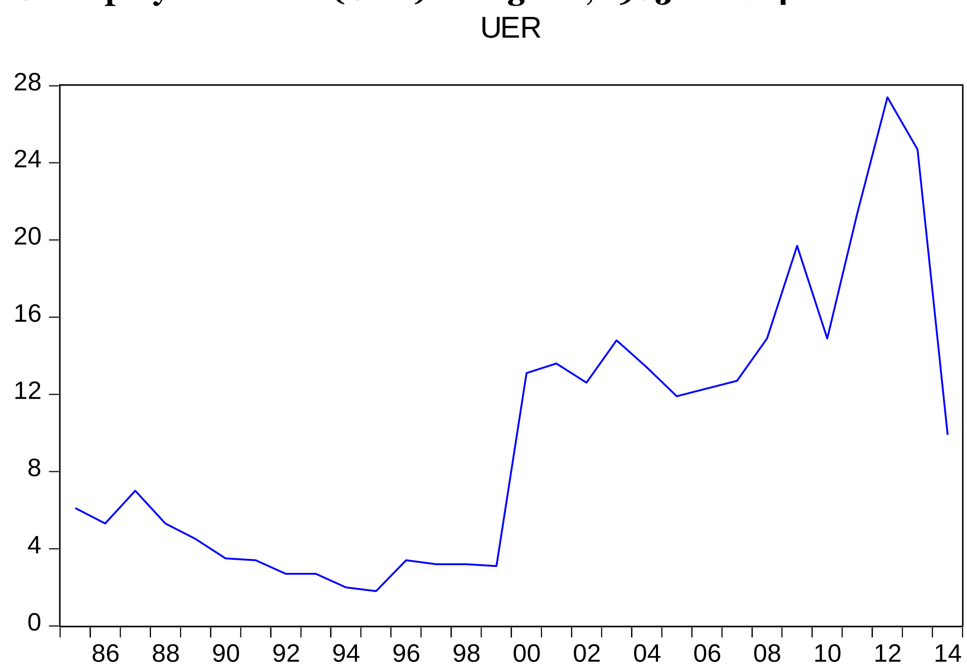


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Table 3: Poverty Incidence and Population in Poverty in Nigeria, 1980-2015

YEARS	Poverty Incidence (%)	Population in Poverty (%)
1985	46.3	34.7
1992	42.7	39.2
1996	65.6	67.1
2004	55.4	68.7
2010	69.0	112.5
2014	46.0	177.5

Source: National Bureau of Statistics, HNLSS 2014

Available data revealed that poverty incidence has fluctuated and remained very high in Nigeria. According to UNDP report (2009), total poverty head count increased from 46.3% in 1985 to 65.6% in1996 and 69.0% in 2010 but fell slightly to 46.0% in 2014. Also, the percentage of the population living below poverty line grew steadily from 34.7% in 1985 to 68.7% in 2004 and 177.5% in 2014 in the face these policies.

The anti-graft agencies of EFCC and ICPC have not been able to live up to expectations in fighting corruption. This is because they have failed to prosecute cases of corruption that are pending in courts.

The Public Procurement and Fiscal Responsibility Acts which should enthrone fiscal discipline, transparency, accountability and good governance as well as prudent management of the nation's resources have been poorly implemented. The issue of poor budget implementation is the order of the day in the country.

The power sector has been privatized and power supply remains epileptic. The petroleum sector has been fully deregulated, yet the President Muhammadu Buhari's led Federal government fixes petroleum pump price without the passage of the highly clamoured petroleum industry bill (PIB) and Nigerian oil refineries are not functioning.

CONCLUSION AND RECOMMENDATIONS

In linewith the practice and impacts of the WC and PWC on the Nigerian economy as revealed in this paper, the following conclusions and recommendations should be implemented to encourage growth with job creation and poverty reduction:

❖ There should be proper implementation of Fiscal Responsibility Acts to ensure greater fiscal discipline, transparency, accountability and good governance.

❖ The proceeds of oil subsidy removal should be re-invested in other to develop social and economic infrastructure.

❖ The fight against corruption should be intensified by means of speedy prosecution of cases in courts. The anti-graft agencies should not be used to chase perceived political enemies, but exclusively for genuine fight against corruption.

❖ The full deregulation of the downstream petroleum sector should not be guided by fixing of oil price rather it should be followed with speedy passage of the Petroleum Industry Bill (PIB).

❖ The government should provide incentives and enabling environment for the recently privatized power sector to thrive.

❖ The government should work in synergy with the private sector and international donors to provide

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social safety nets for the vulnerable group in the country as well as maintain the Amnesty programme so as to ensure internal security and boost economic growth and development in Nigeria.

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