Nigeria Is Running an Incoherent Economy - Utomi

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Pat Utomi, professor of political economy and founding director of the Lagos Business School, speaks with Dike Onwuamaeze, principal staff writer, on the contentious issue of the removal of fuel subsidy. Excerpts:

Newswatch: What is your opinion on the debate raging in the country on whether to remove or retain fuel subsidy?

Utomi: Well, the problem with this discussion is that it is very easy to miss the critical issues and reduce it to a simple argument of who wants or does not want the subsidy removed. But it is not as simple as that. First of all, when you are discussing subsidy, what you are essentially discussing is fiscal transfers. The big argument of those against what is called subsidy is that you take from the common pool and you give it to a small group of people who, therefore, develop a consumption pattern that is not appropriate because they do not pay the appropriate price for it while the rest of the society suffers from being denied the greater good that could have come from the use of the revenue. That is the classic argument. I would have been making this argument 10-15 years ago. But one of the things education and observation does for you is that you grow out of narrow stylistic orthodoxy in discussion of issues. So, the orthodoxy of efficiency of allocation of resources which is lost in the provision of subsidy becomes a banner that covers all kinds of inappropriate behaviour that is taking place. What is the real situation with the financing of petroleum products in Nigeria? First and foremost, there is no statistics. What is claimed to be imported into the country on which basis “subsidies” are paid is twice the quantity Nigeria is consuming. If we can claim to be spending X as subsidy, it is still an assumption. Now, about 50 percent of that sum is not on something Nigerians are consuming. So, the reality is that the N1.3 trillion they are talking about is not a true reflection of what Nigerians are consuming. That is one statement. The second statement is that, and that is the biggest learning for me from experience, is that every government makes the same promise to spend the subsidy on building of roads and providing essential services to the citizens, yet the FRSC rated Nigerian roads as the second worst in the world. If you look at the all Millennium Development Goals, Nigeria is worse today in reality than before. The question to ask should be: “what did the last removal do for railways, roads? The point I’m making is that we have come to the point where you can say that it is not sensible to allow government that do not know how to use public resources to take more of it away from the citizens. I would rather agree that the Nigerian individual spends his money the way he or she likes rather than the government of Nigeria waste it for him.

Newswatch: Some Nigerians still claim that there is no fuel subsidy.

Utomi: People who said that there is no subsidy, essentially, argue that if we had an efficient system and can refine petrol locally, the actual cost of what we are selling petrol cannot be called a subsidy. But the logic of the government is that we do not have the refined product locally and we are importing it and paying international price to get it. But these are not even my argument. My argument is that the process involves taking money from citizens and putting it in the pocket of the government that has used money not particularly wisely. In fact, the way the Nigerian government has used money has impoverished the Nigerian people rather than making their quality of life better. Years ago, I’ve begun to be gradually won over by the position taken by two remarkable economists who were consultants to the IMF. They argued that there are countries in the world, and Nigeria being the best or worst examples, where the governments are so incapable of advancing the good of the people that it is not in the best interest of the people for the rent from that mineral wealth to be given to the governments. They proposed that it should be shared to the citizens of that country. Some national government like Norway have actually done that. The state of Alaska in the United States of America, at a particular month in the year, write out cheques to Alaskans and give them their repay funds from oil rents. Alberta in Canada does the same thing.

Newswatch: How appropriate is the quest to remove the subsidy when local refineries are not functioning optimally?

Utomi: Why do we have to go back to be talking of these refineries every year. I’ve come to the conclusion that the trouble with Nigeria is that we have lost the sense of shame. We do not feel ashamed any more. If we do, I think that we should be embarrassed that in the arena of public discussion, we are still talking about our refineries not working optimally. That shows that something is fundamentally wrong. And for me as a citizen, that is not the way to go.

Newswatch: Where will the subsidy be invested if it is eventually removed?

Utomi: I’m not in government to be in a position to do this. But I still stand on the comment I gave when the last removal was done. Let us build standard railways from Lagos to Calabar and within our cities and create lasting infrastructures that can ensure that people are more efficiently moved around. Look at the history of contract administration in Nigeria. How do you think that the use of that “N1.3 trillion” will be? It cannot be different from the way it was yesterday. The previous removal of fuel subsidy did not provide roads that are motorable.

Newswatch: The government has given 18 licences to private firms to build refineries, yet none has commenced building a refinery. Why is it so?

Utomi: Because they are intelligent people. And if you are an intelligent person, you won’t do something as stupid as building refineries while others who are going to be importing it are getting sweet deals to go with. You will never be able to survive. Machiavelli said 500 years ago, that nothing is more difficult to bring around than a new order of things because those who profit from the old order will do every thing to prevent the new order from coming about. And that is why we are running around in circles. There is a class that profits from the misery of the Nigerian people and they do not want to give up.

Newswatch: You are used to remarking that Nigeria is on the high way to Somalia. Some people also perceive Nigeria as a country on the brink. So, as a political economist, what do you foresee as the socio- economic implications of the removal of fuel subsidy?

Utomi: We are not heading to Somalia any more. We’ve arrived Somalia. What do you think Jos is? What do you think Bauchi and Borno are? They are Somalia already. Thank God that people can go back a few years and see my warning in the things that are happening. The average Nigerian now seems disconnected from the Nigerian state. He doesn’t feel that he is worth much. If his life means nothing, the life of others mean nothing to him also. So, we

are all in the danger. The problem is not that Nigeria would not want to pay for what they are consuming, it is just that Nigerians do not trust their government that the money will be used in the interest of the Nigerian people. And if the government is wise, it would have taken proven steps to cut the wastages that are going on in order to regain public confidence. More importantly, the government needs to do a number of things quickly enough to provide jobs and raise the income of Nigerians to enable them to pay the new price that will come because there is the need to compare how much a Nigerian pays to buy petrol relative to his income and how much a Ghanaian pays to buy petrol relative to his income and then we can justify our positions.