



ISSN 2278 – 0211 (Online)

## The Mixed-Economy Framework and Nigeria's Public Policy Process: A Review of Growth and Development Implications

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### **Abstract:**

*The issue of close affinity or linkages between environmental resources, systems characteristics and public policy is a subject that goes beyond any form of doubt within the cycle of scholars of Public Policy and Public Policy making. In consolidating this view point which is also a reality within varied public policy contexts, this paper would be looking at the Nigerian scenario with particular reference to the nation's mixed economy characteristics and how it relates or even affect the process of making public policies in Nigeria. The paper further noted and observed that various political actors; the Executive, Legislature, Pressure Groups and Parties are greatly constrained, aided and guided by environmental conditions or policy scenario thus, further confirming that environmental resources, its texture or landscape, have great influence on not only the character but content of public policy. It is on the basis of this broad premise that we situate the objective and focus of this paper or presentation which is essentially based on discussions with policy scholars and several other secondary information sources. In attaining its conclusions, the paper is aided by earlier empirical analysis in the area of policy studies in Nigeria. Accentuated by data from other authoritative secondary sources, the paper is concluded by emphatically re-stating the need to clearly redesign the partnership between the two key sectors - public and private sectors through which the best characteristics of free enterprise as well the 'welfarist' stance of a command economy could be brought to bear on the policy process.*

**Keywords:** Development, policy, public, private, economy, market, state

### **1. Introduction**

In trying to clearly understand the key issues of our discourse, it will be expedient to commence by attempting conceptual definitions of the terms i.e. Public Policy and Mixed Economy principle. Many and indeed varied definitions exist about policy, but we would, however examine the most appropriate, especially as they relate to the subject and context of our discourse.

Public Policy, is a process, complex and dynamic and oriented towards societal goal achievement and its process encompasses the system of interest articulation and the formulation of major guidelines for social, political and economic actions directed at achieving stated aspirations of the people. Public policy articulation is “public” ordinarily because the process responsible for it operates through the organs of the state. As distinct from private policy articulation, public policy, therefore, aims at the satisfaction of the common good and maximization of social welfare of society as articulated. Anderson (1975), Buch (1985) and Shakansky (1990).

In further looking at policy within the realm of scholarly conceptualization, Anderson and Shakansky referred to it as government actions and decisions aimed at achieving the provision of public services e.g. Education, Health, Highways, Social Welfare, Electricity etc; the regulation of personal and corporate activities, e.g. by the Police and other security forces, Sanitary Inspectors and other relevant regulatory and central organization bodies and the celebration of symbolic events like Independence Day, Children’s Day, Democracy Day, May Day; the control of other policy making processes or other political actions e.g. changing electoral rules, combating corruption, pollution control and abatement, poverty alleviation etc. Given all of the above, the existence of a public policy displays that there is also an articulated and clearly defined Public issues or Public problem requiring resolution on a continuing basis through the commitment of resources and efforts by government (Dro, 1988, and Anderson: 1925).

Thus, public policy refers to the government “actions taken in response to the question of who gets what, when and how?” In other words public policy is the “authoritative allocation of values” in the society. Mixed Economy Principle could be said to be predicated or based on the fact that our economy is a developing one and like in all other developing economies the STATE has since independence assumed a vital role in the process of economic expansion. Ordinarily this has been justified on the grounds that government intervention in the economic system would undoubtedly accelerate the pace of development by reducing substantially the negative effects of the DEFECTS OF THE MARKET SYSTEM. With the apparent weakness of the various indigenous actors within the economic scene, national governments in most developing countries have ascribed to themselves the unique role of being the overall MANAGER of the economy and CATALYST of socio-economic and political changes. In specific, the Nigerian governments

have over time since independence, been looking at itself not only as a manager, but also perceiving itself as possessing the ability to direct the economy using the strategy of planning within the mixed economy framework as “a means of correcting the fundamental defects in existing social relations in the all encompassing spheres of production, distribution and exchange.”

Having examined the basis that has given Nigerian its policy landscape or framework, it'll be worthwhile to now view MIXED ECONOMY from a conceptual or theoretical perspective. Mixed Economy makes reference in this context to the adoption of dual framework or strategy in evolving policies for the public using both the APPARATUS OF STATE and the existing structure within the PRIVATE SECTOR SEGMENT of the economy and by this, we means synthesing both private and public mix in coming up with various economic policies for the nation's growth and development.

Many factors assumed to be credible are the basis for the adoption of the mixed economy approach to policy making and evolution in Nigeria. These includes we reiterate salient issues as the apparent weakness of Nigeria's private sector and therefore by implication a “defective market based system”. Couple with this is the key observation that the state has to take the lead (to cover the inadequacies of the market or private oriented system) so that it could fully participate in the “formulation of a solid foundation for a socio-economic revolution in black Africa more so within the key objective of achieving or ensuring to achieve the creation of a just and egalitarian society and by that go further in reducing or eliminating to a larger extent inequalities in interpersonal incomes and promoting balanced development amongst the varied communities in the divergent geographical are of Nigeria. “With this arrangement in place, the state is seen to organize its economic institutions in such a way that there's no oppression based class, social status or ethnic group – implying “distributive equity” within the length and breadth of the Nigerian Society. This is an important issue that relates to the set of National objectives especially in area of economic reconstruction restructuring and socio-cultural reforms. Again, this apparent predominance of the role of the state and the incorporation of the private sector in the economy has been a subject of central focus by one of the earliest students of ECOLOGY of Public Administration. He has asserted and established the point that there's a “direct interdependency relationship between Public Administration in general and public administration (therefore policy) on one hand and the economic social, cultural (technology), political, and geographical, environments on the other. I, Abdulsalam (1984), in one of his scholarly submissions on mixed economy and how it impacts on administration viewed the concept as a “nebulous one” adding that the mixed economy arrangement is “not based upon or guided by a coherent body of ideas that helps to minimize uncertainty or ensure predictable outcomes.” He further noted that mixed economy is simply an arrangement which permits the ownership, and control of national economic resources to be shared by Government on the one hand and private individuals and groups on the other.” The argument is that the system ensures and also implies a SYMBIOTIC not a parasitic relationship between the so-called “public” and “private” sectors of the economy. He also note that the conventional wisdom in the Western World favouring this economic arrangement for the developing countries argue as follows:

- (a) The spirit of private entrepreneurship is largely lacking; therefore, Government's role is desirable.
- (b) The large initial social overhead Capital projects which must be launched (e.g. large power plants, transportation systems, etc.) before development can begin is beyond the ability of private capitalist.

Given the above, individual private entrepreneurs, with their “characteristic EFFICIENCY AND ENTERPRISE” were seeking to maximize PROFITS, to enlarge their domain, to prove their capability and to succeed, take advantage of opportunities for development (created by the Government).

Thus, according to this school of thought, given favorable atmosphere, the PROFIT MOTIVE (through the private participant) works on OPTIMAL ALLOCATION OF RESOURCES - resulting in a rapid rate of ECONOMIC GROWTH.

## 2. 'Mixed Economy' – The Nigerian Experience

A number of points have been raised by proponents of the mixed economy approach in public policy making in order to justify its use and adoption especially in many developing countries like Nigeria. The first and the most readily identifiable in some quarters is the apparent absence of a formidable indigenous private sector entrepreneurship. An attempt was made in Nigeria to set this up or remedy the situation by the promulgation of the Nigerian Enterprises Promotion Decree by the then Military Government (1973) – with the sole goal of creating an indigenous class of entrepreneurs and business owners.

Another chief reason advanced for the adoption of the mixed economy strategy in economic policy making is based very significantly on a LEGACY bequeathed to Nigeria by its/her colonizers who ensured that certain activities were traditionally held by the government while others held by the private entrepreneurs. In discussing further Nigeria's experience, we must note with emphasis the growing upsurge at a time in the nation's history oil wealth and for the state to propel and sustain the tempo of economic development, it had to play the role of a catalyst, especially in strategic sectors of the economy and also having viewed the private sector participation in these areas as weak and nascent and incapable of taking the desired initiative. For these reasons the public sector had to make what has been described as significant in-road into industrial, commercial and other vital economic ventures. This gave rise to state owned enterprises (SOE's) or Public Enterprises who were meant to aid in the process of eliminating or reducing to the barest minimum the exploitation of the citizenry as well as correcting or ameliorating the apparent deficiencies that were fundament noticeable in the private sector or more precisely the ‘free market’.

## 3. Mixed-Economy Principle and the Constitution of the Federal Republic of Nigeria

To further enunciate on this issue of state's active participation in economic ventures, it would be worthwhile to approach the subject from a legalistic or constitutional standpoint – Abdulsalam (1984) further expressed that the Mixed Economy principle received its

greatest impetus within this scenario. Under the 1979 Presidential Constitution and within the Fundamental Objectives and Directive Principle of State Policy (Section 17 Subsection I, B, F and D) it is provided that the state shall:

1. Control the national economy in such manner as to secure the welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity.
2. Without prejudice to this right to participate in areas of the economy other than the major sectors of the economy, manage and operate the major sectors of the economy.
3. Without prejudice to the right of any person to participate in areas of the economy.

This legal or constitutional provision was further reinforced by many other factors and themselves playing complimentary roles in establishing the logic for the mixed principle in Nigeria as a strategy for economic development.

Some schools of thoughts have rationalized the mixed economy principle based on the assumed of PRESUPPOSED EFFICIENCY of the private sector operators more especially within the context of contemporary Nigeria. Others further rationalized the principle on the basis that it has offered the Nigerian public and thus the economy ENHANCED ALTERNATIVES aimed at maximizing “net value achievement” with an expanded array of opportunities, adding that the mixed economy principle is also aimed at providing greater number of RATIONAL ALTERNATIVES rather than just a narrow “straight jacket” approach to economic development.

The ROLE of the private sector in Nigeria today is widely noticeable, more so, the Organized Private Sector (OPS). Their inputs their various institutions and organizations such as NACCIMA i.e. the National Association of Chambers of Commerce Industry and Agriculture, The Manufactures Association of Nigeria (MAN), Nigerian Employers’ Consultative Assembly (NECA) are today viewed with all levels of seriousness by government, Such could be exemplified by INPUTS relating to budget, exchange rate mechanism, sectoral credit allocation, interest rate, wages and matters on industrial relations. The need for government to achieve its socio-economic and political objectives has also further necessitated its direct participation in economic activities in order “to facilitate even distribution of national resources and also to meet the rising Expectations of the general citizenry”. SECTION 16 of the Federal Constitution of 1979 as well as the 1995 Constitution further stated that “the State shall control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social JUSTICE and EQUALITY of status and opportunity” as earlier mentioned. With this role clearly delineated the state emerged as the only source of investment in the 60s and 70s and in substantial parts of the 80s and foreign capital (of private origin) ceased to flow into the country during these periods and also it may interest one to note that today a number of foreign owned enterprises are known to have divested from their key holdings in Nigeria. With all these, government inevitably had to emerge as the sole controller and determinant of the direction of the national economy with the private sector still playing a secondary role.

(1979, 1995, 1999 Constitution, FRCN)

#### **4. An Assessment of the Mixed Economy Principle Using Cost-Benefit Analysis (CBA)**

Within our current mixed economy framework, the question is – would it be possible for Nigeria to realistically achieve the GOALS and OBJECTIVE of her ECONOMIC POLICIES as spelt out and articulated in her development plans and as spelt out in the 16<sup>th</sup> Section of the 1995 Constitution and other past constitution. For the purpose of this presentation, the CBA i.e. Cost Benefit Analysis has been adopted as a basis for assessing the effectiveness or otherwise of the mixed economy approach in attaining the goals of national growth and development. The CBA has entrenched within it the need to maximize benefit and minimize cost measuring furthermore that “aggregate benefit must exceed cost”. The importance of this method of analysis is rooted in the need to ensure efficiency and deliberate avoidance of waste i.e. providing for more judicious use of private and state owned resources within the economy.

In order to properly appreciate the strength or weakness of the mixed economy framework it is pertinent to note that economic decision-making powers are widely dispersed and therefore the coordination of the disparate economic DECISION CENTERS in the nation is COMPLEX AND SLIPPERY even with a determined regime or government and as a result the management of economic development is rendered fundamentally ineffective.

The performances of the series of development policies and programmes in Nigeria are a clear testimony to the futility of development and policy administration within the mixed economy framework. Ample reports have also indicated that policy, programmes and plan failures are blamed at least in part on the failure of private investors (indigenous and foreign ) to sufficiently meet expected and desired level in terms of investment efforts.

Furthermore, even where some performance is recorded by private sector enterprises, the STRUCTURE AND CONTENT of total INVESTMENT undertaken might be quite unrelated to national priorities and as defined by policy plans. For example, private sector investment in the past twenty years has been far below government projection and this is in spite of government planned emphasis on Agriculture. Government is also however similarly guilty of limited investment in this “priority” area. In spite of private sector inputs into economic programme and plan preparations in Nigerian especially in recent past, our PLANS have remained essentially PUBLIC SECTOR DOMINANT, thus exhibiting that Nigeria's so-called strategy of comprehensive national plan that includes both the private and public sector of the economy is predominantly false. Also, empirical observations have indicated that most of our economic development plans are devoid of effective control mechanisms on private sector activities in various are ranging from Manufacturing, Incomes and Prices, Industrial and Labour Relations, Expatriate Quota Provisions, to Sectoral Credit Allocations, etc. This situation has largely therefore resulted in non-unified national effort towards economic development which is also sufficiently expressed and explained in a government confessional report under the historical second plan that accurate data on the volume and composition of

investment taking place in the private sector of the Nigerian economy over any given period of time are extremely difficult to obtain owing to the large number of scattered economic units constituting the sector and the problems of conducting a comprehensive survey. The information often given in this and other sectors are therefore mainly qualitative and largely impressionistic, and because of the inability of Government to effectively coordinate the private sector and public sector into an integrated and cohesive or even coordinated national economy, meaningful planned national economic development has been consistently difficult if not impossible to achieve.

Further to the above, in a mixed economy context, governments and the private sector, are free to set their objectives and priorities. Fundamentally, both have conflicting philosophy and orientation; and most importantly objectives and the strategies for realizing them; private sector is driven by profit motive, while governments are driven by “public interest” and the so-called “welfare of the generality” of the citizenry. The expected ‘complementarily’ in the pursuit of planned economic development of the nation does not actually materialize. Allowing both to operate side by side engenders a zero-sum game situation, in which what is gained by the private sector is equal to what is a loss on the part of the public sector as Abdulsalam (1994) further argued.

Riggs in a brilliant expose on relationship between the private sector and the public sector asserted that the relationship between administration and clientele (in a system based on a mixture of private and public ownership and control of resources), are also structured that the weight of sanctions actually brought to bear on “public” officials encourages violations rather than execution of the law. On his part, the private entrepreneur believes he must offer bribes (tributes, largess or gifts), to facilitate transactions with officials (e.g. in obtaining licenses, permits, etc). Expectation of bribes (and other extra-legal rewards) also on the other hand encourages public officials to device procedural delays and technical obstructions so as to provoke clients to offer payment for what they are entitled without charge. The upshot of all this, is gross inefficiency in rule application. Further to all these, the incessant case of COLLUSION AND COLLABORATION between government officials and private sector in the process of defrauding government and thus rendering government development efforts inadequate is very evident in Nigeria. Many Commissions and Panels of Inquiry (from 1975 till date) into Federal and State institutions have confirmed widespread misuse of official position, by public office holders and politicians for corrupt purposes. In several cases, it was discovered that government plans were often distorted by deliberately omission of high viable projects which were then taken up by private companies serving as fronts for some senior officials (Abdulsalam: 1994, Umar: 1996). In one such Federal Investigation, it was found that two State Governors corruptly used their official influence to establish numerous private firms and commercial companies to which they diverted government material and financial resources and patronage. The two cases of Ogbemudia Poultry Farms which enjoyed considerable protection from competition under the then Governors Ogbemudia and Audu Bako of old Bendel and old Kano States respectively were clearly illustrative of executive “irregularities in the application of established government rules and regulations usually for corrupt and other selfish purposes. Added to these were the manipulation of tender’s board by State Governors, – aimed at awarding lucrative contracts to firms belonging to friends and relations. These practices are even more pervasive in today’s Nigeria, especially in the last years of President Goodluck Jonathan’s administration.

The cumulative effect of all these and similar wide-spread SHARP PRACTICES in governments through developing countries under mixed economy is a pointer to the hypocrisy and limitations of the system as a practical framework within which government could undertake it’s array of management tasks or activities for the rapid socio-economic transformation and development of Nigeria.

Many other ways in which the forces of “mixed economy” serve to de-stabilize economic policy for development are also evident. As further expressed in many academic cycles and from a conceptual perspective, private sector enterprises are supposed to serve as model of “efficiency” and an exemplary point of reference for the public sector agencies and their actors, but “there’s” no empirical and evidential proof showing any resultant evidence of efficiency on Nigeria’s public sector organizations.

In summary, therefore, one can assert that experiences have clearly indicated that the cost of the ‘mixed economy’ approach to the Nigerian economy, especially as it affects its growth and development far outweigh the benefits. Therefore, from a Cost-Benefit perspective, we are force to conclude that the ‘mixed economy’ approach has not and could hardly put Nigeria on the path of growth and development more so when empirical evidence have clearly shown that the aggregate benefit derived from the arrangement are far below the cost registered.

## 5. Conclusion

In concluding, our first option is to further note all the encompassing criticism of the mixed economy system or principle. Therefore most prominently, it is worthwhile to restate that notable radical economists in their teaming numbers have come to declare that ‘mixed economy’ approach can hardly be referred to or called an ECONOMIC IDEOLOGY because in all ways, it only influences the creation of a state of economic disequilibrium. Radical economists added that a genuine economic ideology should enable a nation adopting the strategy to have a clearer view of its economic goal as a corporate entity. This ideology should further enable the people through, the instrumentality of state to progressively acquire effective ownership of and control over national resources; and to have greater certainty as to the trend or path of the nation’s socio-economic development. A clearer illustration and perhaps an empirically sensible one is in the handling of the current privatization of public enterprises by Nigeria’s Bureau for Public Enterprise (BPE) and the apparent criticism expressed in many public circles about its activities. To a larger extent, the Mixed Economy framework again tragically prohibits comprehensive planning of the economy as a whole by encouraging not only the powerful but opportunistic private sector to thrive alongside a hugely corrupt government sector. Also by encouraging “competition” between both sectors on an “uneven plain” as we can on many occasions readily note, the PARASTIC DOMINANCE of the former over the later is not only provided for but guaranteed and sustained. Similarly, the administrative incompetence of the whole system is again reflected most vividly in

WIDESPREAD CORRUPTION which underpins the relation between OPERATORS AND ACTORS in both private and public sectors of the Nigerian economy – leading obviously to more elaborate distortions of national goals and the squandering of Nigeria's national resources. One other by-product of this arrangement often described as skewed is the eminent display of DIVIDED LOYALTY and divided INTEREST on the part of public sector barons and senior executives and other public officials who are daily and increasingly confronted by the temptation and opportunity of PRIVATE WEALTH ACCUMULATION and to the obvious detriment of the entire economy.

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