Title of Article: Global Economic Crisis, Free Market Theory and the Nigerian State

Author(s): Duruji, Moses M

Outlet: Paper presented at the 28th Annual Conference of the Nigerian Political Science Association (NPSA) held at the Usman Danfodiyo University Sokoto, Date of Publication: 19th-22nd June, 2011

Date: 2014

Abstract: The bubble in US housing market, turned sour and expanded into a global meltdown that quickly wiped away trillions of dollars of financial wealth, dried up liquidity, weakened consumer and business confidence, lead to negative economic growth, increased unemployment and spreading of economic malaise globally. The collapse of Lehman Brothers in mid-September 2008 put the global financial system in a state of cardiac arrest, as credit markets froze, stock indices tumbled, threathening a total collapse of the international financial system, thus compelling governments to intervene directly in market economies as a necessary measure to stem the plunge into economic depression. This initial response by most governments of the developed world was largely uncoordinated, but the case for internationally coordinated efforts resulted in an intervention programme of economic stimulus packages and bailout programmes that ran counter to the principles of capitalism. Third world countries including Nigeria, whose economies were yet to recover from the global economic crisis of the 1980s were mostly affected by these crisis as the credit crunch and weakening of consumer and business confidence affected income and aid flow. However, the clueless and visionless political elites that dominate the governing space, long hoodwinked to believe that neo-liberal policies were the panacea to Nigeria's economic predicament stood aloof and touted the idea that the economy was insulated from the crisis until the bubble in the country's banking sector, the deep plunge in oil price and stock market crash bust into the open. The paper therefore examined the global economic crisis, the response of world capitalists' economies in lieu of free market theory and its relationship with the neo-liberal economic vision of the political elites in Nigeria. It interrogated the impacts of the global economic crisis on the Nigerian economy and what was the response of the governing elites? This study concludes that the financial crisis caused fall in commodity prices, decline in export, lower portfolio and FDI inflow, fall in equity market, decline in remittance from abroad in spite of denial by the government officials who initially claimed that Nigeria was immune from the crisis. It was recommended that the Nigerian government should be proactive and protective of the economy with intervention policies that will minimise effects of global crisis and guides the economy to the path of progress so that business operators channels resources at their disposal to sectors that develop and expand the economy and puts it in sound foundation to stem tides of the crisis.