

IDEOLOGICAL PERSPECTIVES ON EXTERNAL DEBT AND ADJUSTMENT PROGRAMMES

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Abstract:

This paper examines the ideological debate between state intervention model versus free market economy. The methodology of this paper is based on content analysis and qualitative techniques. The paper argues that due to the failure of the free market economy to address economic inequalities some scholars within the classical liberals reversed their doctrine of free market economy to state intervention. The paper also argues that state intervention in the management of the economy is necessary in order to provide social services and regulate capitalism. There is no doubt state intervention has provided social services to the people however the model was confronted with corruption among state officials and complex activities that resulted to inefficiency. The paper maintains that the wave of globalization that requires the adoption of adjustment programmes as conditionality for external loan facility has made most of the third world nations to abandon state intervention model to free market economy where the forces of demand and supply regulate the economy. The paper concludes that despite the criticisms of free market economy by many scholars as exploitative liberal democracy one of the principles of free market economy has triumphed over all other ideologies in the world.

Keywords: *State intervention model, free market economy, ideology, adjustment programmes etc*

Liberalism a political creed advocates for freedom of individuals in the society (Gray, 1998b). It originated in the United Kingdom during the industrial revolution and spread to other parts of the world (Conway, 1995). Heywood (2004) argued that classical liberalism could be identified with advocacy for free market economy, minimal state intervention to maintain peace and protect property right, representative democracy and maintenance of justice. Classical liberalists such as Smith Adam advocated for free market economy. He argued that free market economy (economic liberalism) could be established through the forces of demand and supply. Smith was of the opinion that free enterprise could be achieved in the social formation when market fundamentalism was allowed to regulate itself. Weak apparatus and inequality in a state could hinder the development of forces of demand and supply to regulate the economy. Perhaps this is why Gamble (1988) advocated for a free market economy under a strong state to ensure perfect market competition through the formulation of policies that could control inequality. This research agrees that free market economy is only permissible to develop under a very strong liberal state. Such state would

have the capacity and capability to formulate and implement policies that would ensure perfect market competition and reduce inequality. The development of capitalism under a capitalist state allows the operation of free market economic system. Capitalism is an economic system that is based on private property and private enterprises. Under this economic system, the major economic activities are carried out by private individuals or organization. Specifically, land and other means of production are largely privately owned (John, 2003). Capitalism does not simply mean a *laissez-faire*. It equally means having some parts of the economy under public ownership with certain degree of regulation of the private sector (John, 2003). The development of capitalism in Western Europe was as a result of the adoption of Keynesian economic policies. Some of the economic policies included government control of the inflow and outflow of money in their territories, imposition of high taxation on wealthy individuals and corporations that led to the expansion of welfare states, and rise in wages and development of superstructures in the wealthy countries provide opportunity to working class to enter into the middle class. For instance, the economy of the United States between 1945 and 1975 was termed as the “golden age of controlled capitalism” because the economy was based on mass production. Mass production was very lucrative and profitable because the middle class had enough money to buy the products being produced. The middle class had money because the profits generated from mass production were divided between the Giant Corporation and their suppliers, retailers and employees. Thus, the purchasing power of the employees was enhanced and enforced through economic regulation by the government. In addition, economic benefits were divided among farmers, veterans, smaller towns and small business through a regulated action of railroads, telephones, utilities and small businesses as well as subsidy in form of price supports, highways and federal loans (Roberts, 2008).

Another element of classical liberalism is minimal intervention by government is required to maintain peace and stability in the social formation. According to Locke (1952) (cited in Heywood, 2004) it allows individuals in the society to carry out their economic activities. This paper disagrees with the above argument because only active state intervention under a strong state is capable of formulating and regulating laws that could ensure and maintain peace and tranquility in the social formation. In addition, communitarians believe in promoting the freedom and social equality of community at large. This is in contrast to protection of individual freedom as advocated by classical liberals (Heywood, 2004). He also asserted that industrialization had increased prosperity but brought unemployment, poverty, poor working condition and spread of diseases. This paper disagrees with ideological beliefs of classical liberals because the liberty and free market economy advocated by the classical liberals did not provide maximum protection to masses’ rights. These limitations motivated the classical liberals to revise their original doctrine and emphasized on state intervention to effectively manage the economy vis-à-vis ensure the protection of masses’ rights.

Modern liberals contend that state intervention is necessary to develop economic sector and other superstructures for the benefit of the masses. They argue that welfarism should be adopted to cater for the disadvantaged classes in the society. For example, Rawls (1970)

supported welfarism because it promotes and protects social justice and equality. This paper subscribes to welfarism and increased government spendings to address unemployment in the society. Indeed, most of the developmental programmes carried out by most of the Third world nations had been financed through external debt. Keynes (1936) for example observed that unemployment could be addressed through increase in government spending and reduction of taxes. He argued that increase in government spending would result in increase in money circulation. Subsequently, increase in money circulation would provide opportunity for many people to be employed. This write-up supports Keynes' argument for addressing unemployment in the social formation because increase in government expenditure has multiplier effect on the lives of the masses. The policy was implemented during the Macmillan administration in the United Kingdom. Macmillan adopted a mixed economic system that involved state control of certain sectors of the economy and development of private enterprise. In the UK the system was further developed towards social security. Heywood (2004) stated that similar system was developed in the US under J. F. Kennedy and L. Johnson.

Modern liberals argued that developing countries obtained external loan due to insufficient capital to finance their development programmes. Perhaps this paper agrees that some developing countries could obtain external loans due to shortage of capital but it may be misleading to make generalization because not all developing countries incurred external debt due to resource-gap. For instance, it could be argued that in the Nigerian social formation particularly during the period 1973 and 1983 when most of the pre-SAP loans were obtained from the World Bank capital was not a problem (Alkali, 1997). In fact, during the period Nigeria's export earnings were approximately about \$100 billion (Hussein, 1987). The huge amount could have been utilized in financing development projects adequately without external loans. For this reason, the need for external resources should not be situated within the context of resource gap but from the misappropriation of resources by the ruling class. Wright (1986) argued that the ruling class in Nigeria during the Second Republic misused and misappropriated the state resources for self-aggrandizement. Similarly, Joseph (1983) contended that the Nigerian ruling class during the Second Republic accumulated capital through the misappropriation of state resources other than through legal private productive ventures. Therefore, excessive corruption seemingly drains the economy and necessitates the government to secure external loan from the International Financial Institutions (Joseph, 1983).

By the end of the Second World War many countries in Western Europe and Third world countries adopted state intervention in the management of their economies. The state intervention model brought economic and social development between 1950s and 1960s (Arblaster, 1984). This research subscribes to state intervention in the management of the economy because the state is capable of financing economic and other superstructures for the benefit of the masses. Despite this, Lal (1983) and Mkandawire (1996) argued that countries that adopted state intervention model experienced economic recession. They contended that the crisis was caused by the predatory and prebendal nature of the dominant class, their rent seeking and inefficiency. This paper agrees that prebendalism contributes to the crisis of

development in the third world nations but there are other contributory factors that Lal and Mkandawire did not highlight. They include corruption and maladministration. The problems had drained the available resources and necessitated the countries to incur external debt from the International Financial Institutions to finance their development programmes.

The “New Right”, endorses free market economy and strong state authority. They opposed Keynesian economic management. They advocated the adoption of privatization and deregulation policies (Heywood, 2004). The argument presented by the “New Right” influenced Margret Thatcher administration to adopt the policies in the early 1980s and Reagan administration in the US. Despite the implementation of the policies in their countries, this research disagrees with the nature of the implementation of privatization and deregulation policies in the third world nations because the rapid privatization that was imposed to the third world nations by the Washington Consensus was not peculiar to their social formations. For third world nations need gradual privatization. In addition, it did not yield positive results due to misappropriation of the revenue generated from the deregulation policy by the ruling class.

The IMF and the World Bank have identified the social cost that is attached to management of state-owned enterprises. The problem necessitated third world nations to obtain external loan to finance their enterprises. Therefore, mismanagement of resources in public enterprises and the belief that free market economy could reform the enterprises motivated the IMF and the World Bank to advocate for neo-liberalism. This made modern liberals to revert their emphasis on state intervention to free market economy thus the emergence of Neo-liberalism.

Neo-liberalism revises the state intervention model advocated by Keynes to free market economy. It also believes in the adoption of Structural Adjustment Programmes such as privatization, devaluation, deregulation and trade liberalization as conditionalities for obtaining external loan (Rourke, 2005). Neo-liberals such as Hayek (1944) argued that state intervention to regulate the economy was ineffective because ruling class was confronted with complex activities beyond their control. He believed that the control of economic activities by the state was a threat to the freedom of individuals. This research disagrees with neo-liberalism because devaluation, privatization, deregulation and trade liberalization are instruments of debt trap designed by the Washington Consensus that only promote the class interest of the international capitalist system at the detriment of the weaker debtor nations. Therefore, despite the advocacy for free market economy by neo-liberalists state intervention in the management of the economy is necessary because the conditions necessary for perfect competition under a free market economy are inadequate in the third world nations (Soludo, 1996).

Friedman (1962) argued that increased government spending and taxation as solution to unemployment created inflation. Though, increase in government spending perhaps may cause inflation however this write-up agrees that state intervention to regulate the economy is better by the state than under free market economy. But Rand (1957) believed that in an ideal society government should not intervene in the economic activities of the people. In essence,

she advocated for laissez-faire capitalism where economic activities are regulated by the forces of demand and supply. She argued that in free market economy individuals are allowed to own property and carry out their business activities without being controlled by individual, groups or agencies. There is no doubt that under a free market economy individuals are on their own pace but this research disagrees with free market economy because market forces are not always reliable and supply could be altered by flood, earthquake, shortage of rainfall and insects.

Nnoli (2000) and Rourke (2005) argued that SAP is a condition for democratization otherwise known as liberal democracy. Jega (2005) and Holden (1993) identified its features to include individual freedom, equality before the law, political representation, political equality and popular sovereignty. Others are peaceful resolution of disputes, political pluralism, majority government and free market economy. But this write-up disagrees with liberal democracy because it only prepares a healthy ground for the operation of free market economy that only benefits the international capitalist system. Qutb (1990) contended that liberal democracy has not succeeded in ensuring justice and equity in the Third world countries because the free market economy that is the guiding principle for its adoption favours the powerful at the detriment of the powerless countries.

Marxism argues that the economic structure of the society determines its politics. It believes that the political, legal, cultural, social and religious aspects are determined by the economic power. Marxism views capitalism as exploitative because it alienates workers from the product of their labour. The more they produce the more they are exploited by the capitalists. In addition, Marxism argues that a capitalist society is divided into capitalists and masses. The capitalists are the owners of the means of production and the masses are the majority that constitutes the propertyless class. Marx argued that the capitalists exploited the masses because they pay them less than the value of their labour (Marx, 1867). Marx believed that capitalism would destroy itself in the process of its development due to crisis of overproduction. As a result, prices of goods would fall and profit decline. This made the capitalists to retrench their employees. He argued that a capitalist state is an instrument of oppression and promotion of the interest of the dominant class. Marxism is against capitalism that is why it provides a critique to exploitative nature of capitalism. To this end, Marx advocated for the overthrow of the capitalist state and its replacement with communist state. Marx argued that as class exploitation begins to fade away the state withers away. Isaak (2000) and Balaam and Veseth (1996) argued that Marxism is against colonialism, imperialism and neo-colonialism because they had conditioned the underdevelopment of the Third World.

Sismondi (1815) was of the view that debt possesses the power of creating public wealth. He maintained that:

Bankers, in the virtue of their credit alone, seemed to have capitals of almost immense extent, to offer in the services of merchants. Credit soon appeared to have a creative power, and speculators persuaded that by emitting a bank one, they added

as much to the public wealth as by importing an equal sum of money, delivered their minds to dreams dangerous for themselves, and for the states that gave ear to them. They proposed the establishment of banks to multiply the funds, to provide for the enterprise of agriculture, to set labour everywhere in motion, to increase the general capital and redouble the activity of industry (Sismondi, 1815).

Sismondi's analysis of debt or credit shows that it has the power to create wealth or capital in the social formation. The process of creating wealth was accomplished through the establishment of banking system that provides loan facility to countries confronted with shortage of capital. The loans were provided to encourage business activities, agricultural and industrial production thereby making labour in the social formation more active and enterprising.

According to Marx public debt was considered as the credo of capital. He also regarded public debt, international credit system and taxation as fundamentals of primitive accumulation. Marx argued that:

Public debt becomes one of the most powerful levers of primitive accumulation. As with the stroke of an enchanter's wand, it endows barren money with the power of breeding and thus: turns it into capital, without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry or even in usury (Marx, 1867: 919).

Marx was of the view that external debt was part and parcel of primitive accumulation in the society. His examination of public debt as a source of primitive accumulation acts as a prime mover for capital accumulation and concentration. This transcends the formation of organic composition of capital.

On the issue of international credit system, Marx emphasized that:

With the national debt arose an international credit system, which often conceals one of the sources of primitive accumulation in this or that people. Thus the villainies of the Venetian thieving system formed one of the secret bases of capital-wealth of Holland to whom Venice in her decadence lent large sums of money. So also was with Holland and England... (Marx, 1869: 920).

From the above quotation Marx was of the view that as countries incurred national debt an avenue was created for them to have primitive accumulation. It was facilitated through the international credit system. Therefore, external debt incurred from the international financial system by the countries confronted with economic crisis serves as the source of their productive capital when effectively and efficiently utilized. Furthermore, Marx argued that

taxation was a means through which national credit system is complemented. He maintained that:

As the national debts find its support in the public revenue, which must cover the yearly payments for interest, the modern system of taxation was the necessary complement of the system of national loans. The loans enable the government to meet extraordinary expenses, which the tax-payers feeling it immediately, but they necessitate, as a consequence, increased taxes. On the other hand, the raising of taxation caused by the accumulation of debts contracted one after another compels the government always to have recourse to new loans extraordinary expenses (Marx, 1867: 921).

Marx argument shows the complementarity of taxation upon national debt. He argued that the imposition of taxes on the masses and companies by countries becomes necessary because they could be utilized to cover the expenses of paying the interest charges. However, this paper believes that the taxes could be evaded by both the masses and the companies when there is no efficient collection system. In situation where the taxes are collected they could be misappropriated by the ruling class that does not possess nationalistic feelings. This hinders taxation to complement national debt in debt repayment.

Luxemburg (1900) argued that in capitalist system of production credit has the power to extend production and facilitate exchange. She maintained that:

When the inner tendency of capitalist production to extend boundlessly strikes against the restricted the dimensions of private property, credit appears as a means of surmounting these limits in a particular capitalist manner. Credit through shareholding combines in one magnitude of capital a large number of individual capitalists. It makes available to each capitalist the use of other capitalists, money in the form of industrial credit. As commercial credit it accelerates the exchange of commodities and therefore the return of capital into production and thus aids the entire cycle of process of production (Luxemburg, 1900: 50).

Luxemburg believed that when the capitalist mode of production was confronted with crisis of capital formation and concentration, credit system accelerates the rate of exchange relations hence assists the entire cycle of productive process. However, she argued that the same credit system influences the formation of anarchy of production. She maintained that:

...it increases disproportionately the capacity of the extension of production and thus constitutes an inner motive that is constantly pushing production to exceed the limits of the market. But credit strikes from two sides. After having (as a factor of the process of production) provoked over production,

credit (as a factor of exchange) destroys during the crisis, the very productive forces itself created (Luxemburg, 1900: 50).

From the above, Luxemburg pointed out that when the magnitude of debt or credit system and its accompanied productive process exceeds the limits of the market, the outcome is anarchy of production. Therefore, this paper argues that productive process should be regulated to meet the demand of the population. Apart from causing crises in the capitalist mode of production, credit system according to Luxemburg also influences the formation of crises through the following ways. Thus:

It constitutes the technical means of making available to an entrepreneur the capital of other owners. That is it leads to speculation. Credit not only aggravates the crisis in its capacity as a dissembled, means of exchange, it also helps to bring and extend the crisis by transforming all exchange into an extremely complex and artificial mechanisms that, having a minimum of metallic money as a real base, is easily disarranged at the slightest occasion (Luxemburg, 1900: 50).

To Luxemburg credit system apart from conditioning the prevalence of anarchy of production, it also aggravates and extends the crisis of production through speculative tendencies that are inherent in the credit system. It becomes evident as entrepreneurs make unscrupulous application of capital that has the tendency of causing crisis of capitalism. Thus, the write-up agrees that economic uncertainty could destroy loan resources meant for productive process hence leading to crisis of production. This makes it difficult for the countries confronted with the problem to repay their outstanding national debt. Consequently, the problem becomes instrumental for the countries to look for debt forgiveness or debt relief from the creditor countries.

On the issue of credit acting as a means of adaptation of capitalism Luxemburg had this to say:

It aggravates the antagonism between the mode of production and mode of appropriation by separating production from ownership that is by transforming the capital employed in production into social capital and at the same time transforming a part of the profit in form of interest on capital into a simple title of ownership... (Luxemburg, 1900: 51).

In another dimension credit system:

...Aggravates the antagonism existing between the property relations (ownership) and the relations of production by putting into a small number of hands immense productive forces and appropriating large number of small capitalists. Lastly, it aggravates the antagonism existing between social character of production and private capitalist ownership by rendering

necessary the interaction of the state in production (Luxemburg, 1900: 51).

From the above as argued by Luxemburg credit system intensifies contradiction between mode of production and mode of appropriation because creditors being the source of capital used in the mode of production, exploit the advantage and employ mechanisms of appropriating the profit generated by the debtors in form of imposing high interest charges that seem to be unbearable on the part of the debtors. This not only aggravates the antagonism between mode of production and mode of appropriation in the capitalist economy but also accentuates the existing class contradiction between property relations and relations of production as well as social character of production and private capitalist ownership of the means of production. External debt is believed by Marxism to be an imperialist instrument that contributes to the underdevelopment of the Third world nations because high interest is charged on the debt incurred (Bukharin, 1900). This drains their available resources for developmental project. For instance, Smith (1776) in his examination of how enormous debts oppress the debtor nations argued that:

The progress of the enormous debts, which at present oppress, and will in the long run probably ruin all the great nations of Europe has been pretty uniform. Nations like private men, have generally begun to borrow upon what may be called personal credit without assigning or mortgaging any particular fund for the payment of the debt; and when this resource has failed, they have gone on to borrow upon assignments or mortgages of particular funds (Smith, 1776).

Smith argued that external debts incurred by countries have the tendency of oppressing and ruining their economies because most of these countries did not make any arrangement for the repayment of the debt when their economies experienced economic crisis. This makes them to incur fresh debts to balance their outstanding debts which further compound their debt crisis. In his analysis of the rate of interest on debt Stuart (1767) argued that in all the capital that creditors borrowed to the nations, a regular payment of interest was agreed upon. He further argued that the payment of interest was a condition for obtaining fresh debt. Stuart emphasized that the payment of interest when due builds a strong confidence in the minds of the creditors that they could grant debtor nations fresh loan facility. Moreover, Stuart stressed that the provision of articles or goods by weaker nations for the benefit of its masses would not have been possible without debts.

Braverman (1956) in his contribution to the analysis of debt burden he emphasized that:

...While nobody can set limit to the national debt beyond which we will be bankrupt, still it is clear that new depression troubles cannot be met with the same kind of debt expansion that took place after 1941. The burden of interest would become very heavy, the political resistance would be huge (if the borrowing were to take place in peace time by voluntary

decision and not in war time under constraint of military decision); and the consequences of so vast a cheapening of the federal financial structure in terms of inflation cannot be easily foreseen (Braverman, 1956).

Braverman emphasized that as countries incurred external debts and continue to obtain fresh loans from the international financial institutions, the negative outcome was the imposition of debt burden through high interest charges by the creditors. The debt burden has a devastating effect on the economies because it drained the available resources for the finances of economic sector and other superstructures.

Despite the arguments presented by Marxism against external debt that is an instrument of capitalist exploitation, it suffers a lot of criticisms. One of its came from the failure of Marx's prediction about the collapse of capitalism in developed capitalist countries. Edmund Bernstein was the first to reject Marx's prediction. Bernstein (1962) argued that capitalism was becoming more intensified and capable of responding to the demands of the workers. He asserted that because of the introduction of joint stock company ownership of wealth had been widened. This had increased property ownership among the middle class. In addition, he argued that capitalism had reformed itself from crisis because industrialists had increased the remuneration of their employees and improved their working condition. The increase in welfarism had deradicalized class struggle. Bernstein was of the view that capitalism was no long exploitative because it allows nationalization of major industries, and provides legal protection and welfare services to the working class. He concluded that socialist state could be established peacefully without revolution. This paper disagrees with Bernstein because capitalist imperfections are still manifested in international economic relations through unequal exchange and imposition of high debt burden on the weaker debtor nations. For instance, in Nigeria \$4.5 billion was paid to the creditors in 2004 as arrears and penalties.

Anthony Crosland updated the arguments presented by Bernstein in criticizing Marx's prediction. Crosland (1956) was of the opinion that there were fundamental differences between nineteenth century capitalism and modern capitalism. He argued that in the modern capitalism new class of managers, experts and technocrats had emerged and replaced the old capitalist class. As a result, ownership of capital is separated from its administrative control because the professionals who are the managers and owners of capital became the shareholders. According to Crosland this had reduced class differences and made him to argue that modern capitalism is not exploitative because it improves the working condition of its employees. Of course modern capitalism has improved the working conditions of employees but does not mean that the exploitative nature of capitalism has been addressed. The exploitation could be found in rescheduling and restructuring of third world external debt by the creditor nations in which interest rates continue to accumulate over the accounting period. He condemned the nationalization of major industries that was suggested by Bernstein as a solution to capitalist exploitation.

Marx was also criticized by Karl Popper (1945) who argued that since in advanced capitalist countries capitalism was not replaced by communism therefore the historicism that Marx envisaged has become irrelevant in world history. Bhatia (2004) argued that modern capitalism had devised means of arresting its anticipated crisis by producing goods that are meant for mass consumption. He contended that because the demand for goods has risen in the recent times, capitalism has created a hire-purchase system. Therefore, the contradictory nature of capitalism as anticipated by Marx had been addressed by modern capitalism. This research disagrees that modern capitalism has addressed its contradictory nature because the international economic crisis experienced in 2009 was a typical example. In addition, Miliband (1995) believed that the argument about the exploitative character of capitalism had been reformed and provided the opportunities for human development has not been adequately achieved because there are still vestiges of capitalist imperfections and exploitation in contemporary international economic relations. They are manifested in the form of imposing a high debt burden on the weaker nations and dysfunctional adjustment programmes. In addition, he contended that human development goes beyond market individualism. Therefore, capitalist reformation represents an underestimation of human development.

To argue that the collapse of Stalin's version of orthodox communism in the Soviet Union in 1989-91 brought the end of the relevance of Marxism in contemporary world history demonstrates injustice to Marx's ideas, because the orthodox communism practiced in Russia under Lenin and Stalin was not the original Marx's ideas. For instance, Marx envisaged collective ownership of the means of production but Lenin and Stalin adopted nationalization or state ownership. Marx also argued that when communism was gradually established the state would wither away but Lenin and Stalin bureaucratized the state apparatus through the political parties they established and its power relations. Furthermore, Marx believed that goods should be distributed according to the principle of need but the communist elites only benefited under the orthodox communism. Moreover, for Marx the power of decision-making resides in the hands of the working class but under Lenin and Stalin the party officials controlled the decision-making apparatus (Heywood, 2004). There is no doubt that it was the orthodox communism that collapsed and not classical Marxism. Therefore, it does not negate the relevance of some Marx's ideas in contemporary societies.

Marxism was also criticized on the ground that it failed to provide an adequate theory on democracy (Dalh, 1986). He argued that democratic theory has provided democratic ideals that had not been addressed by Marxism. One of the ideals is the resolution of conflicts in society by majority rule with considerable concern for the minority rights. There is also the freedom to form political parties and participate in a competitive electoral process. Marxism did not provide an opportunity for the resolution of conflict through peaceful means but revolution. This research subscribes to peaceful resolution of conflict as against revolution as envisaged by Marxism. In fact, revolution is against democratic values. In addition, Marxism did not allow distribution of power in the socialist society. Dalh also criticized Marxism because it failed to address issues of rights, political freedom, power and the role of authority in a socialist community. Furthermore, Marxist philosophy did not allow

the establishment of representative democracy and laws governing the administration of state because the state withers away when it reaches the communist stage (Djilas, 1990).

The criticisms leveled against classical and orthodox Marxism motivated some Marxists to revise, amend and expand some of the arguments raised by Marxism. This leads to the emergence of Neo-marxism. It is defined as:

An updated and revised version of Marxism that rejects determinism, the primacy of economics and the privileged status of the proletariat (Heywood, 2004:336).

Scholars of neo-marxism include Herbert Marcuse, Jean-Francois Lyotard, Ernesto Laclau and Chantal Mouffe. Marcuse (1964) argued that in advanced capitalist society working class have lost their capacity to organize social revolution because modern capitalism had introduced new forms of social control. In other words, Neo-marxism believes in managed capitalism. It attempts to reform the exploitative nature of capitalism through advertisement, television movies and music, consumer protection and improving banking services such as customer care and debt relief granted to the heavily indebted nations etc. He believed that the policies had satisfied the needs of the debtor nations, working class and customers though he considered them as false needs because they are used as marketing strategies. Marcuse argued that the satisfaction of the working class' and customers' needs does not eliminate classes in the society. Marcuse contended that the introduction of consumer services by modern capitalism in advanced capitalist countries had deradicalized the working class' action for social revolution. However, he argued that, there is still the opportunity for social revolution to be organized by the unemployed and the marginalized ethnic minorities. Despite the fact that neo-marxism believes in managed capitalism, there still exist some vestiges of capitalist exploitation. Specifically, external debt facility is designed by International Capitalist System as an imperialist instrument of profittering through the accumulation of penalty charges and interest on arrears. Though, there is the reduction of interest charges during the debt rescheduling exercise from 12 percent to 5 percent, debt burden is still being imposed on the weaker debtor nations without due consideration of their financial capabilities. Therefore, managed capitalism has not addressed the inadequacies of modern capitalism.

Lyotard (1984) was of the opinion that Marxism has become irrelevant in contemporary societies because of the emergence of postmodernity. It refers to:

A shift away from societies structured by industrialization and class solidarity to increasingly fragmented and pluralistic information societies in which individuals are transformed from producers to consumers, and individualism replaces class, religious and ethnic loyalties (Heywood, 2004).

To this end, he suggested the reconciling of some Marxist ideas with some aspect of postmodernity. It is along this line that Laclau and Mouffe (1985) rejected the social revolution accorded to the working class because it is no longer tenable. Therefore, they

suggested that Marxism should integrate new social movements within its spectrum. They include women's, ecological, gay and lesbian movements, etc.

From the review of classical, modern and neo-liberalism, Marxism as well as neo-marxism it could be inferred that liberal democracy had triumphed over the other ideologies. It is against this background, that Bell (1960) argued that the world has reached the end of ideological debate because liberalism, socialism, and conservatism after the Second War have agreed that managed capitalism could address their ideological tensions. However, a revised version of ideological debate was presented by Fukuyama (1989). He argued that due to collapse of fascism in Germany and the demise of communist rule in Eastern Europe the world has reached the end of history because political ideas had ended. The only relevant political ideology is the liberal democracy and has been institutionalized in the third world nations to prepare ground for the operation of free market economy to the benefit of the internationalist capitalist system. This analysis has been defeated in contemporary societies due to the emergence of postmodernism, multiculturalism, pluralism, feminism, ecologism, religious fundamentalism and host of others movements. Though, there are contrasting views in these new movements as well as cross- fertilization of ideas their relevance has been minimal in upsetting liberal democracy that has been institutionalized in vast majority of the developed and underdeveloped countries. Despite all these, this thesis subscribes to the ideology of modern liberalism of state intervention to regulate the economy.

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