HISTORY AND POLITICS OF CURRENCY CHANGES IN NIGERIA UP TO 2008

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ABSTRACT
Whether from the pound sterling to the naira or from lower to higher denominations or even from one colour to another, Nigerian currency has gone through changes at different times in its history. Obviously, a product of the prevailing political situations and socio-economic realities, its social implications on Nigerians are tremendous. This paper examines the history and the politics of currency changes in Nigeria up to 2008. The paper explores different policies and programs formulated at different times to stabilize the naira, and accounts for how the prevailing national and global economic conditions strengthened or weakened the currency. The paper argues that beyond serving as a means of exchange, the naira symbolizes the Nigerian national identity, pride and unity, as well marks the state sovereignty.

Introduction

A national currency like the national flags, national anthems or coat of arms is a cherished symbol of sovereignty. As a symbol of national identity and state sovereignty, each piece of currency reflects national pride, national distinction and even national problems more so that it is representative of people as members of a particular nation. Its limitations notwithstanding, each piece of currency is a historical reminder of who the people are, where they are coming from and where they are heading. Politically, the national currency is a symbol of sovereignty and juridical independence of a state and helps create common ties unifying various groups within the country. Kaelberer (2004:162) and Cooper (2005) have emphasized that on the basis of conventional wisdom, the control of money is associated with the notions of sovereignty and state power at least since the emergence of nation-states in the late nineteenth century. Accordingly, money has not only served economic functions but has also operated as a symbol of place, locality and power. Economically, the features of medium of exchange and store of value make currency an important factor. The Nigerian naira which succeeded the British pound sterling has a long and chequered history. The naira has experienced at different times changes in colors and value; the introduction of new higher denominations as well as the experimentation with lower denomination in coins as well as the use of pictures are important markers of the naira. This paper therefore discusses the historical backgrounds of the Naira, its challenges and the political undercurrents involved in its evolutionary process. In addition, the paper examines different policies and programs formulated or introduced at different times to either strengthen, weaken, or stabilize the naira, and the

prevailing national and global economic situation that affected it. The paper is organized into five sections. The first section provides conceptual meanings of money from different perspectives. The second section discusses brief history of Nigerian currency from the British colonial pound sterling to the postcolonial Naira. The next section highlights various factors both local and global that contributed to the changes effected in the Nigerian currency. The fourth section discusses the politics behind the introduction of higher and lower denominations and the effect on the Nigerian economy. The fifth section of the paper examines the color factor in the Nigerian currency while the next section focuses on the debates on redenomination of Naira. The last section concludes the paper.

Currency, Politics and the Economy: Some Conceptual Menaings

To some Economists, anything approved by the state as money is money (Jhingan (1997) while to the functionalists, money is what money does (Hicks 1997), or money is merely a convenient medium of exchange, avoiding the awkwardness of barter, but nothing more (Ackley, 1961:111). Hence, anything that performs the function of money is money. Viewed largely as a medium of exchange, territorial currencies are instruments that facilitate transactions in the economy and assist governments in macroeconomic management, while also providing revenue at the time of printing. Money is anything that serves as a generally accepted medium of exchange, a standard of value and a means to save or store purchasing power. In the United States, currency (the bulk of which is Federal Reserve notes), coin and funds in checking and similar accounts at depository institutions are examples of money. (Federal Reserve Bank 2005). Currency is then defined as a unit of exchange, facilitating the transfer of goods and service (Manbiot 1994:96). It is also defined as any form of money that is in use as a medium of exchange (Papavasiliou, 2008:32-34).

In his monetary history, Davies (2002:27-28) gives a much more detailed list of money's functions. Specific functions (mostly micro-economic) include serving as (1) Unit of account (2) Common measure of value (3) Medium of exchange (4) Means of payment (5) Standard for deferring payments and (6) Store of value. General functions (mostly macro-economic) include (7) serving as liquid asset and (8) providing framework of the market allocative system (prices), (9) being a causative factor in the economy and (10) serving as a controller of the economy. These definitions and explanations notwithstanding, the meaning of money goes beyond theoretical and empirical considerations. Money also holds social and symbolic value. Beyond facilitating economic interactions, it also affects citizens' identity and, subsequently, the legitimacy of the national government (Cohen 2004, Helleiner 2003). Significantly, every national currency carries with it the national image of a nation. The contention of Isong (1973) is that a national currency is like a national flag, as both are the truest emblems of a nation.

Cooper's view (2004:9) that despite the emphasis on the economic importance of money particularly its functional origins as a means of fulfilling the "double coincidence of wants", it has also been proved that the earliest use of money was not primarily as a medium of exchange. Rather, citing Davies (2002:35-50), Cooper maintains that money was used for bridal dowries, recompense or "blood money", social gifts, religious offerings and ornamentation and that of all these, only ornamentation have an economic component. But then economic functionality was a smaller part of the purpose which meant that despite the changing roles of money the general trend has been to strengthen the links between monies and states. With the growth in states' monopolies of currency, it was increasingly used as a mechanism of state power both economically and politically. Four main roles of currencies have been suggested for states seeking to use it to build a shared national identity on their territories. First, currencies serve as a medium of national communication in a way that we mostly ignored. Prior to the introduction of national monies, countries usually had multiple, perhaps even thousands, circulating currencies in different towns and regions, and different currencies were used by different social classes (Ofonagoro, 1979). Thus, national currencies cut across geographic and social barriers to create a shared experience that did not previously exist.

Second, a national currency creates trust in the nation. According to Helleiner (2003), individuals became more accustomed to conducting monetized economic transactions with state actors (e.g., tax collectors, post offices). This happened mostly through regular interaction with the agents of the faraway central government, which increased their trust in that government. Moreover, once the national money was a central part of individuals' economic lives, they became dependent on the state for the preservation of that money and the

maintenance of its exchange value. Third, according to Helleiner (2003), over time the association between states and territorial currencies jumped national boundaries so that currency issue became the norm for sovereign states. The national currency thus became one of the defining features of statehood, 'expected here because we observe it there'. Finally, states use the imagery and even the names of currencies to help create national communities (Helleiner, 2003). Names given to national monies help create a common language for talking with fellow citizens from far away. Quoting Unwin and Hewitt (2001:1026), Cooper concludes that paper money is therefore not only a way of reinforcing internal cohesion and identity, but it is also a way of depicting that identity to the outside world in a very tangible and often beautiful form.

From Pound Sterling to Naira: Between Patriotism and Economic Development

The history of Nigerian currency began in 1912 when the West African Currency Board authorized by the British Colonial administration, issued currency notes and coins convertible to British pound sterling for Nigeria. Before 1912, Nigeria had utilized various forms of money such as cowries and manilas as units of exchange. It was not until 1st July, 1959 that Nigeria through its Central Bank which became operational that year, issued its first national currency which replaced the West African Currency Board notes and coins (Central Bank 2007). The decision to introduce Nigerian currency otherwise known as the Nigerian pound was perhaps borne out of the desire to have a currency that Nigerians could proudly associate with and more importantly the need to exercise full sovereignty as the country gradually moved towards the attainment of political independence. But the currency changes of 1959 was more of a political exercise, borne out of the desire to be like other newly independent countries as the country's economy was still tied to the umbilical cord of its British and other developed economies in the world (Ofonagoro, 1979). Significantly, the fact that Nigeria named its currency after the British pounds and shillings instead of creating a distinct name is a ready testimony to this[i] Besides, there was no touch of Nigerianness on the new currency. Rather, English and Arabic languages were inscribed on the currency in addition to the numerical impression on the money. Nevertheless, the introduction of the Nigerian pounds and shillings were significant for a number of reasons. First, for the first time, Nigeria issued its own currency. Second, the control of the currency was vested in the Central Bank of Nigeria and not in a foreign body. Third, local transactions were conducted in the new Nigerian currency.

Between July 1962 and April 1984, Nigeria changed its currency not less than five times, four out of which was under military administrations (*The Guardian* April 24 1984). The circumstances that informed these determined changes varied. Whereas the currency changes of 1962 was meant to confer legal tender status on the currency in line with the new status of the country, that of 1968 was a war strategy by the Federal Government against the Biafran regime. Specifically, the move announced on 30 December 1967 according to Chief Obafemi Awolowo, the Finance Commissioner under General Yakubu Gowon was to prevent Biafra from using the Nigerian Currency to finance its war. Biafra had three significant sources of the old notes during the war. These were its reserves, currency held by its population and close to 40 million pounds taken from the Central Bank overrun by the Biafran Forces in the East and the Midwest during the war. The Biafran Government had been converting its money to raise foreign exchange usually at less than one half of the official exchange rate. With the announcement of the new currency, the eastern government was forced to engage in panic selling. Not only was the International Currency market flooded with the old Nigerian notes, currency running into several hundreds of millions were eventually abandoned since they could not meet the exchange deadline fixed for only nineteen days (Uche 2002:29-54; Kirshner 1995:103-105; St. Jorre 1972) This dealt a massive blow to the whole Biafran economy and quickened the end of the war.

On 31st March, 1971, the then Head of State, General Yakubu Gowon announced that Nigeria would change to decimal currency as from 1st January, 1973. The major currency unit would be called Naira which would be equivalent to ten shillings, while the minor unit would be called kobo, 100 of which would make one Naira, equivalent to two old Nigerian pounds. The decision to change to decimal currency followed the recommendations of the Decimal Currency Committee set up in 1962 which submitted its report in 1964 (Central Bank 2006). The official reasons given by the Governor of the Central Bank of Nigeria (CBN), Dr. Clement Isong included the need for continuing efficient allocation of resources in the economy, to improve the performance of a deteriorating non-oil export sector and to rationalize the demand for imports from her major trading partners (*Nigerian Tribune* 23 February 1973). Significantly, the 1973 currency change exercise was remarkable for a number of reasons. In the first

instance, the exercise was not limited to changing the colour of Nigerian currencies rather it was a total replacement of the old pounds, shillings and pence with naira and kobo. There was also immediate shift from old cumbersome system of counting inherited from the colonial administration to the simpler decimal system of counting in tens and multiple of tens (*Nigerian Tribune* 2 January 1973). Besides, the exercise also afforded the CBN opportunity not only to know the amount of Nigerian currency in circulation but also to reduce the surplus[ii]. In addition, the exercise gave Nigerian currency a distinct feature both in appellation and in form (Isong, 1973).

Despite the apparent advantages of the exercise, there were still some loopholes. The decision of the Federal Military Government to leave the value of Nigerian currency unchanged compared with the US dollar indirectly amounted to the devaluation of naira by ten percent. The United States of America had on February 12 1973 devalued its currency, dollar, which had been the major exchange currency of the world and oil transaction, by ten percent. Before the devaluation exercise, N1 was equal to $1.52. It was envisaged that the devaluation of the US dollar without devaluation of naira would raise the exchange rate of Naira to Dollar in the ratio of N1 to $1.67 and consequently increase the purchasing value of Nigerians (Nigerian Tribune, February 21, 1973).[iii] However as explained by Dibua (2002:261-265) as at 1960 when Nigeria obtained political independence, the value of the Nigerian pound was tied to that of the British pound sterling. The same situation continued when Nigeria joined the International Monetary Fund (IMF) in 1961 while the exchange rate between the American dollar and British pound was used to determine the exchange rate between the Nigerian pound and the dollar. This was the situation until 1971 when the dollar-gold convertibility was suspended. Since the dollar now became the principal reserve currency, many countries responded by floating their exchange rates. It was in this process that Nigeria adopted the policy of mainly using the floating rates of the pound sterling and the dollar to determine the value of the Nigerian pound *vis-a-vis* the various currencies. This was the situation until 1974 when Nigeria stopped using the exchange rates of foreign currencies to determine the value of its own currency due to the change of the currency from pound to the naira in January 1973. Thus the 10% devaluation of the Naira on February 14 1973 was to tally with the devaluation of the dollars two days earlier.

From Lower to Higher Denomination: A Measure of Growth or Decline?

Between February 1977 and October 2005, six higher denominations of the Naira were introduced at six different times in February 1977, October 1991, December 1999, November 2000, April 2001 and October 2005. The denominations introduced were N20, N50, N100, N200, N500 and N1000 respectively. According to the Central Bank (2006), the issuance of N20 note was significant for two reasons. The first reason was that the ₦20 banknote was the highest denomination to be introduced then, and its issue became necessary as a result of the growth of incomes in the country, the preference for cash transactions and the need for convenience. The second reason was that the ₦20 banknote became the first currency note in Nigeria bearing the portrait of a Nigerian citizen, the former Head of State, General Murtala Muhammed who was assassinated on 13th February 1976 and subsequently declared a national hero for his leadership qualities. The note was issued on the first anniversary of his assassination in February 1977.

Although no official reason was given for the introduction of the N50 note, it was nonetheless seen as a unifying currency by the Central Bank more so it appeared without any national hero's image on it despite the speculation to that effect. This unifying factor no doubt earned the N50 note the nick-name WAZOBIA (WA-ZO-BIA) which literally means "come" in the three dominant languages of Nigeria- the Yoruba, the Igbo and the Hausa. But for other denominations between N100 and N1000, they were introduced to facilitate a more responsive and efficient payment system leading in response to inflation and devaluation of the naira (Ekanem, 2009). Meanwhile, new notes of three denomination series namely N1, N5 and N10 were introduced on 2nd July 1979. In addition to other features, they also bear the portraits of the three eminent Nigerians, Herbert Macaulay, Alhaji Abubakar Tafawa Balewa and Alvan Ikoku, all of whom were declared national heroes on 1st October 1978. The decision of the Federal Military Government to engrave the pictures of these eminent citizens was in recognition of their contributions to the national growth of Nigeria. Hitherto, what existed were the notes and coins issued mainly in 1973. These were Fifty Kobo (50k), One Naira (N1), Five Naira (N5) and Ten Naira (N10) and the coins were Twenty Kobo (20k), Ten Kobo (10k), Five Kobo (5k), One Kobo (1K) and Half (½k) Kobo. The ½ and One Kobo were in bronze and the higher denominations in cupro-nickel. Also in 1991, a complete new coin range was issued as part of a major reform of the nation's currency

structure. The coins were in One Naira (N1), Fifty kobo (50k), Twenty-Five kobo (25k), Ten kobo (10k) and One kobo (1k). The ½ Kobo coin was withdrawn from circulation in 1991, making it the first currency that ceased to exist. (Ekanem 2009).

Also on 28th February 2007, the Central Bank of Nigeria issued redesigned currency notes. Fifty Naira (N50), Twenty Naira (N20), Ten Naira (N10) and Five Naira (N5) were introduced. The One Naira (N1) and Fifty kobo (50k) coins were also redesigned, while a new N2 coin was introduced. A completely new coin range was issued as part of a major reform of the nation's currency structure added to economic and fiscal reforms. The new notes have translation of their values in Hausa, Igbo, and Yoruba, the three major Nigerian languages. Unfortunately, Nigerians hardly used these coinages and till date, the CBN could not fathom the reasons for this snub and ultimately the coins were no longer in circulation even though they are still legal tenders (Ekanem 2009). A number of reasons were given for the redesignation. As explained by the Central Bank (2007), countries review their currency structure every 5-8 years in line with international best practices, something which the country did not do since 1984. Besides, and more specifically, the notes were redesigned to make them more secure, last longer in circulation and look cleaner, reduce the cost of replacing dirty notes and also to ensure better management as the notes are smaller and fit easily into wallet. Of particular interest is the N20 note which is printed on polymer and which does not tear easily because of its plastic nature. The N50 note was also made into polymer in October 2009 (Adesuji 2009). As for the coins, the explanation was that coins, the world over, facilitate transactions and unlike the old coins that were big and heavy, the new coins are lighter in weight and smaller in size and are therefore more convenient to carry. Furthermore, it was contented that cost of small items is simplified into small units as change are made available for all transactions while the rounding up of prices to the nearest banknote denomination is no longer necessary (Central Bank 2007).

Meanwhile, underlying the currency changes took place particularly from 1991 was the tremendous stress that the Naira was subjected starting from the early 1980s, occasioned by the economic crisis which eventually culminated in the adoption of the Structural Adjustment Programme (SAP) by the General Ibrahim Babangida administration in 1986. An immediate consequence of this as observed by Olukoju (2002:3) was the steady and calamitous devaluation of the Naira which began to yield ground to the US dollar as the exchange rate plunged from a height of N1 to US 65 cents in 1979 to N1 to US$ 35 by the late 1980s. According to Dibua (2002: 261-265), one major issue that accounted for the economic crisis which became manifest from 1982 was the overvaluation of the Naira. The failure of the various economic policies introduced by successive government between 1978 and 1986 as explained by Dibua led to the adoption of SAP characterized by the deregulation of the economy through the ascendancy of market forces and a cardinal aspect of deregulation was the massive devaluation of the Naira through the agency of market forces. Although the claim of overvaluation of the Naira according to Dibua (2002:281) was exaggerated, its devaluation resulted in spiraling inflation and serious distortion of the economy. Given the effect of the devaluation of the Naira, one cannot but agree with the assertion of Soule and Obi that Structural adjustment meant essentially currency adjustment. In another study Adebayo (2007:95) has found that the currency instability and the declining exchange rate were exacerbated by inadequate supply of money and disappearance of lower denominations and coins among others. This was particularly the case with wage earners. Thus, from all indications, it was apparent that the introduction of higher currency denomination beginning from 1991 was mainly the country's response to inflation and devaluation of the naira occasioned by the economic crisis.

Change in Colour or Change in Value?

The economic crisis discussed above and which culminated in the introduction of SAP in 1986 became much obvious during the executive presidency of Alhaji Shehu Shagari between 1979 and 1983. The problem was worsened by the profligacy and high-level corruption and mismanagement that characterized the period. As observed by Olaniyan (1988:247), the implementation of white elephant projects, excessive dependence of the manufacturing sector on imported raw materials coupled with the failure of the Green Revolution programme all combined to compound the problem of foreign exchange and balance of payment. Thus, the immediate response of the duo of Generals Muhammad Buhari and Tunde Idiagbon following the military coup of 31st December 1983 was to change the colour of the naira. This change affected all the naira denominations in circulation then except the 50k note (Nigerian Tribune 24 April 1984). The change announced on 23rd April 1984 was meant to achieve two-pronged objectives. First to rescue the already battered economy and to contain the efforts of

saboteurs whose activities had continuously sabotaged the economy through large scale illegal trafficking of naira notes across borders. Second was to render useless all the money stolen by the sacked politicians. Indeed, it was reported that the exercise rendered almost half of the estimated N6 billion in circulation worthless at the expiration of the change. Hitherto, the naira was reportedly circulating freely and being easily converted in London and other foreign countries. This also explains the covert nature of the policy which was conceived to last for only two weeks as a way of shutting out the naira outside the country and preventing the looted fund within from being changed. It also explained the ceiling of N5000 placed on the amount that could be changed and the requirement of a sworn affidavit in the case of more.

Significantly however, the 1984 naira change exercise merely involved change of colour (N1 to bear the colour of old N20, N5 that of old N10, N10 of N1, N 20 of the old N5) (The Guardian 24 April 1984). Apart from mounting tight security around the ports, limited period was fixed for the exercise, while ceiling was placed on the amount that could be changed in the bank. The effects of the measures were remarkable as it exposed and affected many currency hoarders who had stashed millions of naira either at home or abroad (The Guardian 25 April 1984). Yet, the unresolved controversy over the surreptitious smuggling of 35 to 53 suitcases into the country by Emir Jokolo of Gwandu remained a dent on the exercise, the puritanical claim of the leaders notwithstanding (Nigerian Tribune 27 April, 1984 p.3). On a much wider scale, the change did not restore the much-needed value to the naira. Although the government acting on its strong will rather than prevailing economic dictates and the advice of the International Monetary Fund refused to devalue the naira, it was apparent that there was no strong productive base to support the naira value (Dibua 2002: 265-272). Meanwhile, the socio-economic effects of the operation can not be overemphasized. Besides the closure of Nigerian borders, the currency exchange activities almost grounded domestic commercial activities as traders who would not receive the old Naira closed their shops while others remained on endless queue in the banks (Nigerian Tribune 1 May 1984). The untold agony experienced by millions of Nigerians during the exercise was very shocking. After so many hours to have their old Naira change to new ones, many people took time off to have some sound rest in front of different banks not minding where and how (Nigerian Tribune 3 May 1984). The operation was also a test period for the War Against Indiscipline programme (WAI). The smooth take-off of the operation soon lapsed into disorder and indiscipline as the frustrated people who found it uneasy to change their currency resorted to violent pushing or fighting (Nigerian Tribune 4 May 1984). The salary earners were the worst-hit as the exercise prevented the pre-occupied banks from paying neither their salary nor allowing them to withdraw even their savings (Kareem 1984:4). Commercial banks also experienced some hardships following the dramatic increase in the volume of business transactions (Nigerian Tribune 2 May 1984). Consequently, in addition to the increase in the number of hours each commercial bank opened daily, weekend was no longer a resting period. The Union Bank of Nigeria for instance issued a release ordering all its 56 branches across the federation to open 24 hours (Nigerian Tribune 5 May 1984). The exercise also increased the cost of operation of these banks. To meet the emergency need of their customers, some banks either employed more employees or pay over time allowance to their staffs. The effects of the operation on the currency traffickers both within and outside Nigeria were enormous. Different strategies designed by these illicit businessmen to beat the existing security system were frustrated. This perhaps encouraged the sale of the naira in neighbouring West African countries at give-away prices (Nigerian Tribune 30 April 1984).

Redenominating the Naira: The Debate

In other to further strengthen the naira, the CBN on the 14th of August 2007 announced its “Strategic Agenda for the Naira” This 4-ponts Agenda which was designed to make the Naira a ‘Reference Currency in Africa’ and as part of the ‘Financial System Strategy 2020’ has Currency Re-denomination topping the list (Central Bank 2007). The new agenda among others is designed to better anchor inflation expectations, strengthen public confidence in the Naira, make for easier conversion to other major currencies, reverse tendency for currency substitution and eliminate higher denomination notes with lower purchasing power (Central Bank 2007). Other objectives are to reduce the cost of production, distribution and processing of currency, promote the usage of coins and thus a more efficient pricing and payments system, promote the availability of cleaner notes, deepen the Forex market and ensure more effective liquidity management and monetary policy. It was also meant to enhance the convertibility of the Naira and hence greater confidence in the national economy and lead to greater inflow of foreign investment as it positioned the Naira to become the ‘Reference currency’ in Africa (Central Bank 2007).

Currency redenomination as conceived by the Central Bank is the process where a new unit of money replaces the old unit with a certain ratio and it is achieved by removing zeros (in the case of Nigeria two zeros) from a currency or moving some decimal points to the left, with the aim of correcting perceived misalignment in the currency and pricing structure, and enhancing the credibility of the local currency. Although the name of the national currency was still the Naira, the existing Naira would be referred to as the "Old Naira", and the new one to be called the "New Naira" during the transition but the word "New" might be dropped after the transition. Conceived as being different from revaluation which entails an official adjustment of the exchange value of a country's currency (usually an upward change in value) relative to other currencies by fiat under a fixed exchange rate regime, or currency decimalization which is the process of converting from traditional denominations to a "decimal" system, usually with two units differing by a factor of 100 respectively, the change was proposed to take effect from August 1, 2008 with a transition period of five months (August 1 – December 31, 2008) during which both the 'old Naira' and 'new Naira' would be legal tender (Central Bank 2007). During the period, it was proposed that prices, fees, rents, contracts and salaries, etc could be quoted in both the new and the old Naira, while the 'old Naira' would cease to be legal tender, but could still be exchanged at the commercial bank after December 31st, 2008. As presented by the Central Bank (2007), the specific benefits of re-denomination included that it would make pricing more efficient as it prevented arbitrary price jump, encourage Nigerians to cultivate the habit of using coins and thus reinforced the on-going currency reforms, promoted particularly the use of ATMs as part of payment culture and de-congested banking halls, and made for easy conversion to other currencies.

Others benefits included reducing the risks associated with carrying large physical cash as large denominations were eliminated, discouraging currency substitution and addressing the perception that the domestic currency was weak despite its stability. It was also projected that it would reduce the cost of printing, distribution and processing of currency and discouraged the abuse of the Naira as each Naira note under the 'new Naira' would possess relatively high value, and while coins dominated transactions at the lower end of the market (Central Bank 2007). Significantly, the policy was proposed to effectively restore the value of the Naira (in the short-term) close to what it was in 1985 before the commencement of the Structural Adjustment Programme (SAP) in 1986

However, in what appeared like poor policy coordination between the Presidency, Federal Executive Council, the Economic Management Team and the Central Bank, the Federal Government on August 25 2007 announced the suspension of the proposed programme citing non-conviction of the president about its merits, non-compliance with due process and rule of law particularly Governor Soludo's violation of section 19 of the new CBN Act 2007 and non prior approval as reasons (Shirbon 2007). Other reasons given for the scrapping, according to Michael Aondoakaa, the Attorney-General and Justice Minister was lack of consideration for the cost implication of the project particularly that new currency were only recently introduced in June 2007 and its cosmetic nature could affect the value of the Naira (Shirbon 2007). Although the Federal Government was advised by its Economic Team to review the date of its implementation and consider the gradual phasing out of the old currency, it was apparent that the government or some elements within it had reservations about it.

Beyond government circle, the proposed programme was seen as a symbolic reform without guaranteed benefits which only created the impressions that past inflations had been eliminated and which did not necessarily imply that future inflation would be below the current line. In which case, it is possible for a country to report worse inflationary trend after redenomination (Meristem 2008:4). It was contented that the CBN should have been guided by the widely acknowledged view that the strength of a currency is determined by the strength of the economy, its productive capacity, infrastructure, security of lives and property, employment, good governance, and strict adherence to the rule of law which enhance higher local productivity and increased capital inflow through greater foreign investments and exports. (Sokunbi 2008). It was further argued that the proposal might not be economically justified given that the rate of inflation in the economy was within a single-digit value (6-9 per cent), which qualified the Nigerian economy as a moderately stable economy. Also, the high public confidence in the Nigerian economy evidenced by growth in domestic and foreign investments in the country and the fact that foreign currencies are not being used for domestic transactions in the economy, a further indication of much confidence in the Naira were touted as basis for the condemnation of the policy (Meristem 2008:6-8).

However, there appeared to be substantial agreement on the significance of the proposed

programme in strengthening the Naira and making it the reference currency in the West African sub-region more so that a single currency was being envisioned for the region by the Economic Community of West African States (ECOWAS). Beyond making Nigeria a financial hub for investors across the whole of Africa, it was also reasoned that the policy would allow the Naira to be directly and easily linked and monitored with the U.S. dollars and thus increased external confidence in the Naira (Sokunbi, 2008; Meristem 2008:7-9; Amanze 2009). Viewed on wider political perspective, the implication that the CBN might be compelled to regulate both budgetary and extra-budgetary cash flow issued to the federal and state governments in order to avert the dangers of over-dollarisation of the money market could have struck wrong cords in some circles particularly given the endemic nature of corruption, mismanagement and profligacy that characterised spending at the different tiers of government in the country. This in addition to the usual scare about change and its implications could have informed the opposition to the policy. According to Mosley (2005), the explanations for currency redenomination in developing and transition nations rest in a combination of economic and political factors, including inflation, government's concerns about credibility, and the effect of currencies on national identity. While stressing that redenomination is related to political variables, including governments' time horizons, the governing party's ideology, the fractionalization of the government and legislature, and the degree of social heterogeneity, Mosley (2005) contended that although seen as a largely technical issue, currency redenomination could have a few real effects if done in a way that allowed the public sufficient ability to exchange old cash for new, and if it had little impact on inflationary expectations. He concluded that what determined whether a government would abandon, or attempt to shore up its currency would involve a consideration of the political motivations and technical decisions that of assigning numerical values to national monies.

Conclusion

This paper has discussed both social and political history of Nigerian currency. The paper observes that the Naira is not only a means of economic exchange but also an important symbol of Nigerian sovereignty. As a symbol of national identity and state sovereignty, the Naira reflects national pride, national distinction and even national problems. The paper further notes that the Naira serves as symbolic unifying factor of various ethnic groups and a potent instrument deployed by the ruling class to construct specific political identities, social boundaries and economic hegemony. The paper also notes that coupled with global economic factors, various monetary policies and programs introduced by different military regimes in Nigeria to protect the Naira and stabilize the economy sometimes strengthened it and sometimes weakened it. The paper argues that the introduction of higher denominations as a measure of economic conveniency not only increased the level of inflation but also contributed to the culture of corruption in Nigeria. In all, the naira remains a symbol of national identity though with changing fortunes but also with tremendous potentials to perform the basic functions of any currency anywhere given the right political and economic situation.

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[i] Nigeria currency remained pounds and shillings until February 1973 when Naira was introduced.

[ii] The total currency in circulation as at the end of 1972, according to Dr C. N. Isong, the CBN Governor, was £186.8 million. This was by the first six weeks of exchange reduced to £32 million pounds, some 16% of total currency in circulation.

[iii] "Why Devalue?" *Nigerian Tribune*, Comment, 21 February, 1973. p1. N.B. On this, the CBN governor arued that if the exchange rate of the Naira had been allowed to appreciate 10%, Nigerian imports from other countries particularly the UK and US would not only become cheaper but would also increase at the detriment of local products.