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Unclothing Capitalism: An Exploration of Monopolistic Illegality among Market Forces in Nigeria

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ABSTRACT

This study explores how capitalism works in Nigeria by showing how illegal monopolistic practices harm fair competition and economic growth. The research uses a qualitative approach. It includes documentary analysis, case studies of big industries, and critical political economy viewpoints. The study looks at how established monopolies use legal gaps, benefit from state involvement, and twist market rules. It highlights that, while capitalism claims to support free enterprise, it often relies on exclusion, cartels, and rent-seeking. The main findings are that illegal monopolies deepen inequality, raise consumer costs, block innovation, and create ongoing dependency. These factors hurt Nigeria's development. The study concludes that without strong oversight, transparent institutions, and focused policy changes, Nigerian capitalism will keep serving elites and leaving most people behind. The study urges systemic changes to make markets more accountable, open, and fair.

Keywords: *Capitalism, Monopoly, Government, Market Forces, Illegality*

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INTRODUCTION

Capitalism in Africa has long been a contested terrain, oscillating between promises of growth and the realities of exploitation, inequality, and elite capture. In Nigeria, Africa's largest economy, the contradictions of capitalism are particularly stark (Olutayo & Amzat, 2009). While Nigeria boasts of immense natural and human resources, its markets are frequently distorted by monopolistic practices, cronyism, and outright illegality. To "unclothe" capitalism in this context is to strip away the ideological veil of "free markets" and expose the entrenched structures of domination that masquerade as competition. Scholars of African political economy has consistently argued that capitalism on the continent is not a neutral system of exchange but a historically conditioned process shaped by colonial legacies, global dependency, and domestic elite interests. Udeogu (2018), for instance, situates Nigeria within the **periphery of global capitalism,** showing how cycles of financialization and neoliberal reforms have deepened underdevelopment despite periods of high GDP growth.

Similarly, Abah and Naankiel (2016) highlight how the Structural Adjustment Programmes (SAPs) of the 1980s dismantled local industries, entrenched unemployment, and facilitated the rise of rent-seeking elites who thrive on prebendal politics rather than productive investment. These dynamics reveal that Nigerian capitalism is less about innovation and efficiency than about the monopolization of opportunities by politically connected actors.

The monopolistic tendencies of Nigerian markets are evident across sectors. The cement industry, dominated by the Dangote Group, illustrates how state concessions and regulatory capture can create oligopolies that stifle competition. In telecommunications and oil, similar patterns of concentration emerge, where a handful of firms wield disproportionate influence over pricing and access. Beyond formal markets, illegal economic practices, from counterfeit pharmaceuticals to organ trafficking, further distort the economy, creating parallel systems of accumulation that operate outside regulatory oversight. As Ntsebeza (2024) argues in the broader African context, capitalist exploitation is often masked by weak state institutions, yet its brutality is felt daily by ordinary citizens who face inflated prices, exclusion from opportunities, and systemic precarity.

This paper argues that Nigerian capitalism is best understood as a system of monopolistic illegality - a fusion of formal monopolies, informal black markets, and state-enabled corruption that undermines the very principles of free competition. By unclothing capitalism, we reveal how the rhetoric of market liberalization conceals practices that are exploitative, exclusionary, and often unlawful. The analysis will proceed by situating Nigeria's experience within the wider African capitalist trajectory, examining case studies of monopolistic dominance, and interrogating the role of illegality in shaping market forces.

Ultimately, the paper contends that without confronting these monopolistic structures, Nigeria's capitalism will remain a system of elite capture rather than a vehicle for broad-based development.

The study of capitalism in Africa has long been framed by debates around dependency, underdevelopment, and elite capture. Early theorists such as Walter Rodney (1972) argued that colonial capitalism underdeveloped Africa by extracting surplus and distorting indigenous economies. Contemporary scholars extend this critique, showing how postcolonial states reproduce similar patterns of exploitation through monopolistic structures and weak regulatory regimes. Capitalism is an economic system that depends on the private ownership of the means of production and on competitive forces to determine what is produced, while monopoly is the control or advantage obtained by one supplier or producer over the commercial market within a given region (Garner, Nd). Nigeria's economic landscape is dominated by conglomerates whose market power undermines competition. Itaman and Wolf (2022) describe Nigeria as a case of "peripheral financialisation", where speculative financial activities expand in banking and capital markets but fail to support manufacturing. They highlight the Dangote Group as emblematic of monopoly capitalist concentration, where profits are disproportionately allocated to capital rather than wages, thereby suppressing effective demand. Similarly, Akinyoade and Uche (2018) argue that Nigeria's industrial policy has historically enabled monopolistic accumulation by granting concessions, import licenses, and subsidies to politically connected firms.

Industrial policy in Nigeria has often reinforced rather than dismantled monopolies. A study of the Dangote conglomerate shows how state support created "pockets of efficiency" in cement and sugar production, but also entrenched price-setting power, tax evasion, and wage suppression (Itaman & Wolfe, 2021). These dynamics illustrate what scholars call "fragile accumulation," growth that benefits elites but undermines broad-based development. The state's inability to effectively tax monopolistic firms further weakens redistribution and deepens inequality.

Historical Context: Colonial Legacies of Monopolies in Nigeria

The history of capitalism in Nigeria cannot be separated from the colonial project that restructured indigenous economies to serve imperial interests. Far from introducing a system of free competition, British colonialism institutionalized monopolistic control through trading companies, statutory marketing boards, and discriminatory regulations. These structures not only extracted wealth from Nigeria but also created enduring patterns of market concentration, elite capture, and illegality that persist in the postcolonial era. To

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understand Nigeria's contemporary monopolistic capitalism, one must first examine the colonial legacies of monopoly.

From Slave Trade to "Legitimate Commerce"

In the 19th century, as the transatlantic slave trade declined, European powers sought new commodities from West Africa. Palm oil, cocoa, groundnuts, and cotton became the backbone of "legitimate commerce." British firms such as the United Africa Company (UAC), John Holt & Co., and Paterson Zochonis (PZ) quickly established dominance in Nigeria's export economy. Backed by British naval power and diplomatic treaties, these firms displaced indigenous traders and created oligopolistic structures. Hopkins (1973), in *An Economic History of West Africa* describes how these companies fixed prices, divided markets, and colluded to suppress competition (Hopkins 2024). Indigenous African merchants, who had thrived in the 19th century, were systematically excluded through discriminatory credit systems and colonial regulations that privileged expatriate firms.

UAC and Market Domination

The UAC, a subsidiary of Lever Brothers (later Unilever), became the most powerful trading company in Nigeria. By the early 20th Century, it controlled vast shares of the palm oil and cocoa trade. Its dominance was not based on efficiency alone but on monopoly privileges granted by the colonial state, including exclusive licenses, access to shipping, and preferential tariffs. This concentration of power foreshadowed the monopolistic structures that would later characterize Nigeria's industrial sectors.

Colonial State as Enabler of Monopoly

Infrastructure for Extraction

The colonial state actively facilitated monopolistic capitalism. Railways, ports, and roads were designed to move raw materials from the hinterland to coastal ports for export, not to integrate local markets. For example, the Lagos–Kano railway primarily served the groundnut trade, while the Eastern line facilitated palm oil exports. Indigenous producers had little say in these infrastructural priorities, which entrenched dependence on expatriate firms.

Statutory Marketing Boards

By the 1930s and 1940s, the colonial government institutionalized monopoly through marketing boards. The Cocoa Marketing Board, established in 1947, epitomized this system (Ajiola, Nd). Ostensibly created to stabilize prices, the board fixed producer prices at artificially low levels, siphoning off surpluses to the colonial treasury. Farmers bore the brunt of this exploitation, while expatriate firms benefited from guaranteed export channels.

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As Berry (1985) notes, these boards became instruments of state extraction, enriching colonial coffers and financing imperial projects rather than local development.

Commodity Monopolies and Exploitation

Cocoa

Cocoa became Nigeria's leading export crop by the mid-20th century. Before the Cocoa Marketing Board, European firms dominated the export trade, using grading systems and price controls to exploit farmers. After 1947, the board institutionalized this exploitation, ensuring that surpluses were diverted to colonial coffers rather than reinvested in rural communities (Ajiola Nd).

Palm Oil

Palm oil, once dominated by indigenous producers, was gradually monopolized by expatriate firms. The UAC established near-total control over palm oil exports by the early 20th century. Indigenous producers were forced to sell at low prices dictated by European buyers, undermining local accumulation.

Groundnuts and Cotton

In Northern Nigeria, groundnut pyramids became symbols of colonial extraction. Marketing boards and expatriate firms controlled pricing and exports, leaving farmers with little autonomy. Cotton production was similarly tied to British textile interests, locking Nigerian producers into exploitative supply chains.

Indigenous Resistance and Adaptation

Despite these constraints, indigenous entrepreneurs did not vanish. Hopkins' *Capitalism in the Colonies: African Merchants in Lagos, 1851–1931* (2023) shows that African traders pioneered innovations in transport, construction, and finance. They introduced motor vehicles, publishing, and limited liability companies, laying the foundations of modern Nigerian capitalism. Yet their efforts were systematically undermined by discriminatory colonial policies and the overwhelming market power of expatriate firms.

Farmers also resisted exploitation through protests and boycotts. In the 1930s and 1940s, cocoa farmers in Western Nigeria organized against unfair grading and pricing systems. These struggles linked economic exploitation to political subjugation, fueling nationalist movements that demanded independence.

The Logic of Colonial Monopoly

The monopolistic structures of colonial Nigeria served three key purposes:

- Market Control: Concentrating power in a few expatriate firms ensured stability and predictability in export markets.
- Revenue Extraction: Producer prices were fixed low, and surpluses were taxed to fund colonial administration.
- Political Domination: Weakening indigenous entrepreneurs reduced the potential for economic independence and nationalist resistance.

As Berry (1985) and others argue, this system entrenched a dual economy: a modern export sector dominated by expatriate monopolies, and a subsistence sector where most Nigerians remained trapped in poverty.

The monopolistic structures established under colonial rule did not disappear with independence. Instead, they were inherited and adapted by Nigerian elites. The UAC and other expatriate firms continued to dominate key sectors well into the postcolonial era, often in partnership with local political actors. The marketing boards, though rebranded, remained instruments of state extraction until their abolition in the 1980s.

More importantly, the logic of monopoly state-enabled concentration of market power, suppression of competition, and extraction of surplus became embedded in Nigeria's political economy. Contemporary monopolies, such as the Dangote Group, can be seen as direct descendants of colonial trading companies, operating with similar privileges and protections. The colonial legacies of monopolies in Nigeria reveal that capitalism on the continent was never about free competition. Instead, it was about structured domination, where European trading companies, backed by the colonial state, monopolized markets, extracted surpluses, and suppressed indigenous enterprise. These legacies persist in the form of postcolonial monopolies, informal illegality, and systemic inequality. To "unclothe" capitalism in Nigeria is to expose how historical monopolies continue to shape contemporary market forces, blurring the line between legality and illegality.

Illegal Market Forces in Nigeria: Counterfeit Drugs, Organ Trade, and Informal Monopolies

Nigeria's economy is not only shaped by formal monopolies but also by illegal market forces that distort competition, endanger lives, and deepen inequality.

1. **Counterfeit Drugs:** The counterfeit drug trade in Nigeria is a multi-trillion naira industry, with estimates suggesting that over 50% of medicines in circulation are substandard or fake (Onyedinefu, 2025). Markets such as Onitsha Bridge Head, Idumota in Lagos, and Ariaria in Aba have been repeatedly raided by the National Agency for Food and Drug Administration and Control (NAFDAC), uncovering warehouses filled with expired or falsified medicines. These counterfeit drugs

ranging from anti-malarials to antibiotics pose a public health crisis, with preventable deaths linked to ineffective or toxic medications. Weak regulation, corruption at ports, and the proliferation of unlicensed drug stores fuel this illicit trade.

2. **Organ Trade:** Nigeria has also been identified as a hub for the illegal organ trade, particularly kidneys. Driven by poverty and lack of access to healthcare, vulnerable populations are exploited by traffickers who sell organs to wealthy recipients domestically and abroad. This black market thrives in secrecy, often involving cross-border networks, and raises profound ethical and legal concerns. The trade not only violates human rights but also reflects the failure of state institutions to regulate healthcare and protect citizens from exploitation.

3. **Informal Monopolies:** Beyond counterfeit and illicit goods, Nigeria's informal economy is rife with informal monopolies. In urban markets, powerful trader associations or cartels often control access to stalls, dictate prices, and exclude competitors. For example, in Lagos and Abuja, market unions sometimes act as gatekeepers, charging exorbitant fees and enforcing loyalty through coercion. These monopolistic practices mirror the dynamics of formal monopolies, but without legal oversight, they create parallel systems of control that undermine fair competition and consumer welfare.

CONCLUSION

The Nigerian experience demonstrates that capitalism on the continent has been historically shaped by colonial monopolies and is today sustained by a fusion of formal oligopolies and illegal market forces. From the dominance of trading companies in the colonial era to the rise of conglomerates like Dangote, and from counterfeit drug markets to organ trafficking and informal monopolies, the system reflects a persistent pattern of elite capture, weak regulation, and systemic illegality. This reality undermines the ideals of free competition, deepens inequality, and erodes public trust in both markets and governance. To "unclothe" capitalism in Nigeria is therefore to reveal its structural distortions and to demand reforms that can create a more inclusive and transparent economy.

Addressing monopolistic illegality requires not only stronger laws but also political will and institutional independence. Some policy recommendations are to strengthen antitrust and competition laws, introduce stricter penalties for price-fixing, hoarding, and market capture, reform regulatory institutions and formalize and support informal markets. Without confronting both the formal monopolies of conglomerates and the informal monopolies of illicit markets, Nigeria's capitalism will remain a system of exclusion and exploitation. A reimagined policy framework rooted in transparency, accountability, and inclusivity offers the only path toward transforming Nigeria's economy from one of monopolistic illegality to one of broad-based development and shared prosperity.

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