“The Political Economy of Nigeria’s Persistent Conflict”

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1. Introduction

How do we explain Nigeria’s chronic political violence, 1960-2007? This paper outlines a political economy of Nigeria’s conflict, which also encompasses state repression and killing.

Nigeria has had an elected federal government only 17 of its 46 years since independence in 1960; experiencing a civil war, 1967-70 (Nafziger 1983); persistent military repression; and a series of irregular regime transfers through overthrows, assassinations, and coups. “The consequences of frequent military intervention in Nigerian politics have been devastating – human rights repression, militarization of society and the political landscape, abuse of the rule of law, gross indiscipline, arbitrary proliferation of subnational States and local government areas, aggravation of ethnic politics, destruction of the productive sectors of the economy and monumental corruption,” (Kenneth Omeje 2006:27), and poor quality of economic policy advice.

Yet the period of the fourth republic, since the return to civilian rule in May 1999, has seen only limited improvement in political freedom and order. The Economist Intelligence Unit (EIU) (2007b:13) estimates “that at least 50,000 people have been killed in various incidents of ethnic, religious and communal violence since . . . May 1999. This gives Nigeria a casualty rate from internal conflict that is one of the highest in the world – and the country is not fighting a civil war.” Federal security forces have clashed with militias, criminal gangs, and civilians from the Niger Delta over the benefits of petroleum, while deaths from sectarian conflicts between Christians and Muslims in Northern Nigeria have killed tens of thousands since 2001. Deaths from sectarian conflicts, primarily in Plateau State between mainly Christian local farmers and predominantly Muslim settler herdsmen between September 2001 and May 2004, were nearly 54,000 (ibid., pp. 14-15).

Fighting in the oil-producing Niger Delta contributed to lost oil production of 600,000-800,000 barrels per day (about 27% of capacity) in 2006 (750,000-975,000 b.p.d. in early 2007), while loss from organized theft was 20,000-40,000 b.p.d. About 40% of natural gas per day is flared, a falling trend from the 1970s to the present (ibid., pp. 33-36). According to the BBC (2007) in late May 2007:

“Although the Niger Delta has a long history of violence, the situation has gone from bad to worse to disastrous recently with the emergence of armed militant groups willing to kill as part of their campaign for a greater share of the region's oil wealth.”

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The kidnapping of petroleum personnel in the delta by militias or criminal gangs is widespread. According to Nuhu Ribadu, Nigeria's chief corruption fighter, 2006, "more than $380 billion has either been stolen or wasted by Nigerian governments since independence in 1960" (BBC 2006). Suberu (2001) views these events, together with President Olusegun Obasanjo's effort to alter the country's constitution to allow a third term in office" (since reversed) as "threats to the rule of law." Finally, the 2007 presidential, gubernatorial, and parliamentary elections in Nigeria were characterized by political assassinations, election violence and killing, massive electoral fraud and rigging, inadequate voter registration, capricious efforts to disqualify candidates, police arrest and intimidation of opponents, a lack of secret ballots, and the announcement of results where no elections were held (International Crisis Group [ICG] 2007; Ibrahim 2007).

"According to official Nigerian government estimates, the oil sector accounts for 70-80% of federal government revenue (depending on the oil price), around 90% of export earnings and about 25% of GDP, measured at constant basic prices." (EIU:2007a:23). Nigeria's leading trading partner is the United States, which comprises about 40-50 % of Nigeria's exports (mostly petroleum) and 10 % of its imports (ibid., pp. 43-44). Nigeria is the U.S.'s fourth largest source of crude oil, after Canada, Mexico and Saudi Arabia.

Several cross-sectional and longitudinal studies (Collier & Hoeffler 1998:563-73; Nafziger et al. 2000; Nafziger & Auvinen 2003; Emizet & Nafziger 2006) have examined the politico-economic sources of war, state killing, and conflict in Asia, Africa, and Latin America. Causes include the ethnic, regional, and sectarian competition for employment and economic benefits; the pervasive high-stakes rent seeking for control of revenue from mining rents and royalties paid by multinational corporations; pressures on coalitions of ruling elites from low per capita income and stagnation and income decline; large class and regional inequalities; the inability to adjust to external disequilibrium; the neglect of food and agriculture; a lack of democratic institutions; a high proportion of the population in the military; and a tradition of violent conflict. Scholars need to test these explanations by examining individual countries.

2. Per-capita GDP and its Growth

According to the research project on the political economy of war at the UNU/World Institute for Development Economics Research, Helsinki (Nafziger et al. 2000, v. 1; Nafziger & Auvinen 2003), intr*a*state conflict is more likely to be found in low-income and lower-middle-income countries, suggesting a threshold above which war and state violence are not likely to occur. Nigeria is a low-income country, with a GNP per capita of less than $1,000 in 2004.

McMahon and Squire, *Explaining Growth* (2003:17), in examining GDP growth per capita performance, 1968-1998, categorize Nigeria's growth as low-growth performance, an average yearly growth rate of negative 0.3 %, 1968-98. Nigeria's real five-year moving average GDP per capita (US$) grew 00.32% yearly (fig. 1). According to Maddison (2001: 196), Nigeria's annual GDP (US$PPP)[1] growth per capita, 1973-1998,

[1]Different than nominal figures in table 1.

was -0.63%, so that Nigeria's 1998 real average income after 25 years of military rule, was 85 % of that in 1983.[2] Nigeria's GNI per capita (PPP) in 2005, \$1040, ranked 117th among 130 countries in World Bank (2007a).

Except for 1967-70, Nigeria experienced steady growth from 1960 to the late 1970s. Indeed, the growth in GDP per capita from 1969 to 1977 was still 2.2 % (fig.1).[3] Foreign-exchange strengthening (reducing traditional agricultural export and import substitution incentives)[4] was already reducing postwar GNP growth of both agriculture and manufacturing (Nafziger 1983:147-159). Indeed the Third National Development Plan, 1975-80, which envisioned a twelve-fold increase in annual public investment compared to the previous plan, stated: "there will be no savings and foreign exchange constraints during the Third Plan and beyond" (ibid., p. 187). From 1973-74, Nigeria's international balance on current and capital account jumped from N197.6 million to N3,056.8 million (ibid., p. 185). Sayre Schatz (1977:47), an advisor to the Federal Ministry of Transportation, indicated in 1974:

> Projects involving huge sums were added hastily, with little investigation or appraisal. Issues of project interrelation and coordination were ignored in the belief that rapid economic growth would ensure the utility of whatever was undertaken. Economic reasoning gave way before economic enthusiasm. Problems of executive capacity (the ability to carry out the Plan) were ignored.

However, budgetary constraints soon resulted from huge wage hikes after October 1974, and growth deceleration. The balance of payments never attained its 1974 level again in the 1970s. Nigeria's international balance was N183.8 in 1975, and negative in 1976-1978, as merchandise imports for rising consumption increased fourfold, 1974-78, and oil demand slumped in 1975 and rose slowly during the remainder of the 1970s (Nafziger 1983:136-137). In June 1975, several state and local governments did not receive their monthly subventions from the federal government. In several sectors, government workers threatened to impair vital services unless their June wages were paid. The euphoria and spending spree that led to Head of State Yakubu Gowon declaring that "finance was not a problem to Nigeria" was short lived. Petroleum export revenue fell in 1975 and growth decelerated in the late 1970s (fig. 2). Gowon was overthrown on 29 July 1975.

The government of Brigadier General Murtala Mohammed, Gowon's successor, announced army reduction plans more than 50 % to some 100,000 soldiers. Weakened morale and career uncertainty contributed to the unrest in which Northern Middle Belt middle ranking officers conspired to overthrow the regime, assassinating Mohammed on 13 February 1976 (ibid., p. 176).

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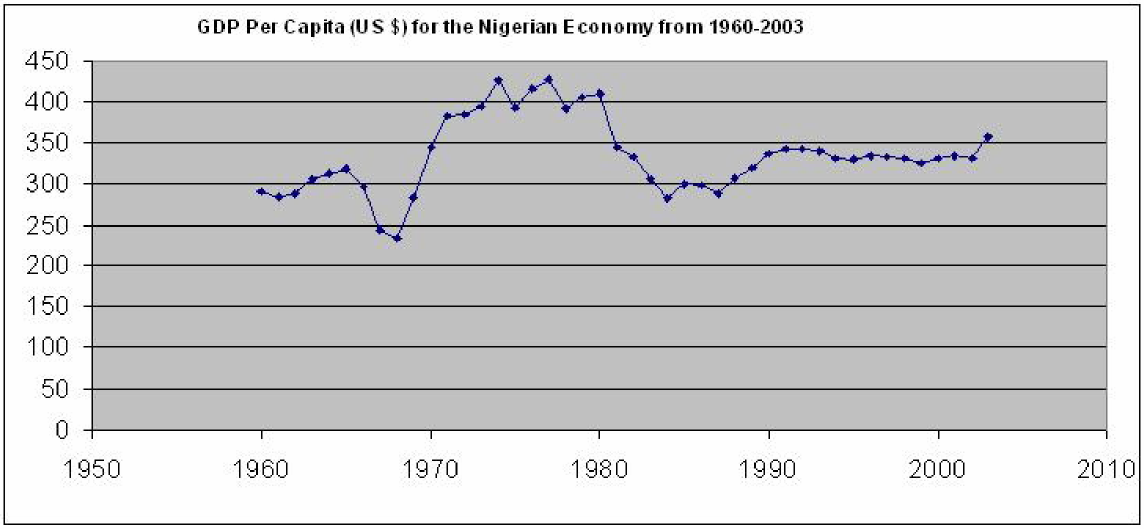
[2]Lewis (2004:99) is wrong in stating: "real income per capita stands today at about one-third the level achieved in 1980," impossible since so much of Nigeria's population today is at roughly subsistence.

[3] The World Bank classified Nigeria as a middle income country in 1978 but belatedly reclassified Nigeria as a low income country in 1989.

[4] Nafziger (2006:418) discusses Dutch disease from domestic-currency appreciation from a booming mineral export.

Figure 1 Nigeria: GDP Per Capita (US$) in US$

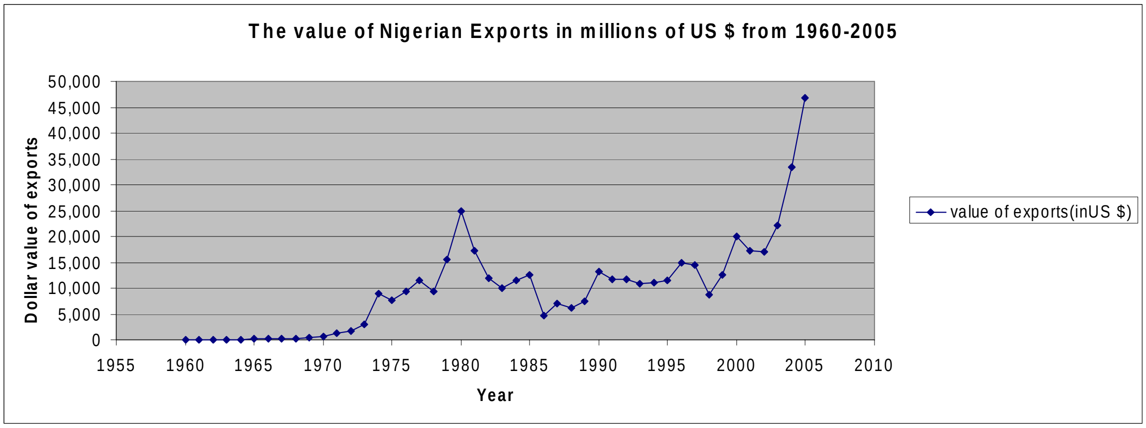


Source: World Bank, *World Development Indicators* online.

During the civil war, economic strength shifted from merchants, medium-sized industrialists, and other regional interests to federal interests - military officers, civil servants, and public corporation officials. Despite temporary falls in petroleum revenue, 1975, 1983, and 1986-89 (fig. 2), the long run portended rapid growth. Fiscally Federal Nigeria was a unitary state, weakening regional, state, and local bases of power, which depended on the center.

Yet in March 1976, Head of State Obasanjo warned that petroleum was not a cure-all. "Though this country has great potential she is not yet a rich nation. . . . Our resources

Figure 2. The Value of Nigerian Petroleum Exports in Millions of US$s, 1960-2005



Source: www. opec.org/statisticsbulletin2005. © E. Wayne Nafziger from oil are not enough to satisfy the yearnings, aspirations and genuine needs of our people, development and social services." (ibid., p. 188).

The enhanced centralization and concentration of revenues and authority, together with the rapid decline of real per-capita income, changed the game. Politics was a zero-sum game focused on the power of the presidency, with a high-stakes contest to win control of the center (Ibrahim 2000: 47; Omeje 2006).

Nigeria's Human Development Index (HDI), a combination of indices for longevity, education, and living standards, shows *relative* decline from 1960 to 2000.[5] According to the UN Development Program's (UNDP's) *Human Development Report* (2006:288-294), Nigeria ranked 159th among 177 countries (behind Sudan, Congo PRC, Zimbabwe, Eritrea, and Rwanda) in 2004 in the Human Development Index. HDI's poor progress reflects reduced nutrition and health care and a declining standard of living during military rule, 1983-98, and increased HIV/AIDS since then.

3. Terms of Trade

After 1973, petroleum comprised more than 90 per cent of Nigeria's export revenues. From 1974 to 1980, amid an oil-fuelled export-price boom, Nigeria's lowest real GDP per capita was in excess of any subsequent year!

Nigeria's fall in GDP per capita, 18%, 1980-90, and an additional 2%, 1990-95, was largely from a breakdown in the terms of trade. Nigeria's commodity terms of trade (price index of exports/price index of imports) in the late 1980s was no more than a third of the 1981 oil-driven peak. Moreover, from its 1980 peak, Nigeria's export purchasing power (income terms of trade) fell 72% in 1982 and 60% in 1983, almost without peacetime precedent. This fall placed a large burden on the newly re-elected government of President Shehu Shagari, which was overthrown by the military in 1983 (Nafziger 1993:67-69).

Nigeria's negative net transfer of resources, 12.5% per cent of exports, 1984-86, from substantial debt servicing amid a continually declining terms of trade, closely approximated the war-reparations transfer burden borne by Germany, 1925-32, that contributed to the depression, unemployment, and resentment that fuelled the rise of Nazism. In Nigeria in 1985, during the greatest resource transfer, the Mohammed Buhari military government was overthrown by Major-General Ibrahim Babangida (Nafziger 1993:27-8, 67-9, 129-34). Declines in the terms of trade and living standards put added pressure on regimes, especially for authoritarian military governments whose legitimacy was in question. Much of the deadly political violence that resulted from this unrest took the form of state repression.

[5]When HDI data are not available, I use the under-five mortality rate which, Ranis, Stewart, and Samman (2005:27) show, correlates exactly with HDI.

4. The Effect of Stagnation and Decline in Incomes on Political Conflict

Econometric and case-study evidence indicates that slow real GDP growth helps explain deadly political violence, which also contributes to reduced (often negative) growth. However, according to econometric tests, the causation from political violence to growth is even weaker than from growth to political violence (Auvinen and Nafziger 1999:267-290), the focus here. Still contemporary political conflict in Africa is rarely episodic but is usually the culmination of longer-term politico-economic decay over a period of a decade or more. Stagnant (or negative) per-capita growth interacts with political decay in a downward spiral seen in Ethiopia, Sudan, Somalia, Congo-Kinshasa, and Nigeria.

Nigeria's stagnation has affected relative deprivation, the actors' perception of social injustice from discrepancy between conditions they expect and can get. This deprivation often results from disparities in which the actors' incomes are related to those of a previous period or of others within society. Tangible factors such as a marked deterioration of living conditions, especially during high expectations, are more likely to produce socio-political discontent that may be mobilized into political violence. Relative deprivation spurs social discontent, which provides motivation for collective violence (Gurr 1970).

Only a portion of violence, however, results from action by insurgents. Holsti (2000) demonstrates that the governing elites, with their use of police[6] and armed forces, are at the root of many humanitarian crises. Slow or negative per-capita growth that exacerbates relative deprivation puts pressure on ruling coalitions. Ruling elites can expand rent-seeking opportunities for existing political elites, contributing to further economic stagnation that can threaten the legitimacy of the regime and increase the probability of regime turnover. Or they can reduce the number of allies and clients they support with regime largess, risking opposition by those no longer sharing benefits. To forestall threats to the regime, political elites may use repression to suppress discontent or capture a greater share of the majority's shrinking surplus. These repressive policies may entail acts of the center's direct violence against politically disobedient groups, as in Western Nigeria in 1964, when the Action Group's (AG's) strategy tried to put together a progressive coalition from all regions, or in the Niger Delta, from the 1990s to the present, when ethnic militias and protesting locals tried to increase their share of the oil surplus.

[6] *Economist* online, August 18, 2005, indicates: "On the streets of Lagos, Nigeria's bustling megalopolis, it is often said, only half-jokingly, that there is less crime when the police are not around. Nigeria's police are well known for extorting bribes from drivers at checkpoints and for their heavy-handed treatment of suspected criminals. Despite the end of military rule in 1999, ill-paid officers are still a law unto themselves, and torture, beatings and extrajudicial killings persist."

6. Colonialism, Communalism, and Elite Interests

Much of this relative deprivation comes from an ethnic, regional, or sectarian community's fear of domination by another. Conflicts emerge when a community feels excluded from access to its rights, and perceives a threat to its economic and cultural security (Ibrahim 2000:41).

Contrary to Collier and Hoeffler's contention (1998:567), ethnicity or "tribal" identity is not a primordial "given." Ethnicity is not based on permanent and separate histories, but is created and reconstituted in struggles to share benefits from growth and self-government. Frequently ethnic antagonism emerges during conflict rather than being the cause of conflict.

British rule exacerbated differences of class, region, and community in Nigeria. Since hostility cannot be directed to the powerful foreign oppressor, it is transferred to an indigenous scapegoat.

Northern and Southern Nigeria were administered as separate territories, with frontier controls, 1900-1914. Despite amalgamation in 1914, the two protectorates were never effectively united, and administrative individuality was maintained. Governor-General Frederick Lugard elicited the cooperation of the Sokoto Caliphate's ruling aristocracy, establishing "indirect rule" in the North, where Fulani emirs were allowed some administrative autonomy. Moreover, the British accommodated the North by discouraging Christian missionary activity and delegating educational policy to the ruling authorities, who maintained Islamic education.

The British ruled the South directly, because of the limited power of traditional chiefs in the southwest, their absence in most of the southeast, and the lack of well-defined procedures for revenue collection. Moreover, Southern Nigeria experienced earlier British intrusion, had more experience in parliamentary government and government service, and had more developed industrial capitalist institutions. Additionally the British encouraged Christian missionaries and their schools in the South, which spurred higher rates of western education and literacy than in the North.

In Nigeria, especially before World War II, the British supported the development of separate institutions and identities for different ethnic and religious communities, a system of Native Administration to reflect communal loyalty, and education aimed at cultivating a "love of tribe." In the early 1920s, Governor Hugh Clifford emphasized that the idea of a Nigeria nation was inconceivable and dangerous. Before 1934, even nationalist leaders thought of nationalism in terms of regional or ethnic nationalism (Nafziger 1983:32). Femi Ojo-Ade (2001:173) states that even today "Nigeria is *not* a nation. At best, it is a conglomeration of nations and sub-nations, with a strong, and strong-armed center determined to maintain the artificial geographical entity . . . created by the British adventurers."

7. Regional Economic Security and Conflict

Since 1949, when the Nigerian new elites were first consulted by the British in a constitutional review, the peoples of Nigeria have engaged in a continuing regional, sectarian, and class struggle for a share in the economic benefits of decolonization and independence, and the accompanying modernization. Although English is an official language in Nigeria, there are more than 200 linguistic groupings, which correspond roughly to ethnic communities. The three largest communities, Hausa-Fulani, Igbo, and Yoruba, dominated the politics of the Northern, Eastern, and Western Regions, respectively, consisting in all three instances about four-fifths of the population of the region that they dominated. The three became rivals in the struggle for power in the federal government and the Nigerian economy (Nafziger 1983:32-33). Despite the continuing expansion from three regions in 1960 to 36 states (and the federal territory of Abuja) by 1996, these three are still leading communities.

At all levels—local and regional/state after 1951 and federal after 1954—political leaders could use a range of controls, extending over local councils, district administration, police and courts, to subdue any dissident minority, especially in the upper North, where clientage was the major social adhesive of the emirate system. During 1951-60, each of the three ethnic communities was linked to a major party, which tried to mobilize the socioeconomic elite in its region to achieve security (economic and otherwise) in one region only (ibid., pp. 36-37). With each regime transition, the competition for benefits and avoidance of costs intensified again. This resulted in the elites in each region allocating government employment, licenses, permits for agricultural export production, land rights, roads, electricity, running water, and scholarships to supporters. Each major party was backed by a bank, which transferred public funds to the party. Politics was not about policies but control over people and resources.

The elite of each region attracted clients and socially inferior groups not only in the upper North, where the Muslim religion legitimized the traditional hierarchy, but even in Igboland, where power had been widely dispersed before the 20th century. Although at first the elites of the three groups preferred to close ranks to share the fruits of office and to prevent challenges to their positions, by 1960, policies to enhance the security of one regional elite threatened the security of others.

Nigeria’s politics is a high-stakes game to control the allocation of the rentier state that generates large amounts of revenue from petroleum. Conflict for position usually intensifies during changing economic policies during transitions, such as presidential elections, irregular power transfers, or externally imposed liberalization and structural adjustment by the International Monetary Fund (IMF) or World Bank. Still, while elites compete for influence, most Nigerians miss out on the perquisites of the transition, unless they can identify with an ethnic or regional patron.

8. Communalism and Patrimonialism

While ethnic identity was generally weak among Nigerians during the early colonial period, the struggle to obtain benefits of modernization strengthened ethnic nationalism, especially around the mid-20th century. The heightening of Yoruba nationalism after 1948 was partly in response to the Nigerian national movement in the 1940s, led disproportionately by Igbos. Hausa-Fulani nationalism was aroused about the same time in response to rival leadership, and the threat of Southern economic supremacy. The elite accentuated pre-colonial and colonial identification with traditional political and cultural entities, sentiments they used to transfer potential hostility from class discrepancies within their own ethnic groups to other ethnic communities.

The phenomenon whereby regional or communal elites in Nigeria and other LDCs attract clients is known as patrimonialism. Patrimonialism or clientalism is a personalized relationship between patrons and clients, commanding unequal wealth, status, or influence, based on conditional loyalties and involving mutual benefits. For Max Weber (1978:1028-1029), "The patrimonial office lacks above all the bureaucratic separation of the 'private' and the 'official' sphere. For the political administration is treated as a purely personal affair of the ruler, and political power is considered part of his personal property which can be exploited by means of contributions and fees." In Nigeria, the patronage system has been built around the extended family and ethnic community, which have vested interests in ensuring that their members gain immediate access to resources of the state. All this makes democracy and national integrations difficult (Bah 2005: 54).

In Nigeria's second republic, 1979-1983, Richard Joseph (1987:8) labelled this phenomenon prebendalism, referring to "patterns of political behavior which rest on the justifying principle that such offices should be competed for and then utilized for the personal benefit of officeholders as well as their reference or support group." Prebendalism connotes an intense struggle among communities for control of the state. Prebendalism is endemic to political life at all levels in Nigeria, and not confined to the second republic or indeed just to Nigeria.

Clientelism overlaps with, but reaches beyond, ethnicity. The ethnic identity of the client may be amalgamated with, widened, or subordinated to the identity of the patron, who exchanges patronage, economic security, and protection for the client's personal loyalty and obedience. For Sandbrook and Oelbaum (1997, pp. 604-5), patrimonialism is associated with the power of government used to reward the rent-seeking behavior of political insiders, the ruler's acquiescence in the misappropriation of state funds and the non-payment of taxes by political cronies, the distribution of state jobs by political patrons to followers (with corresponding incompetence, indiscipline, and unpredictability in government positions), and the non-existence of the rule of law. Clientelism often operates within a political party, as in the case of the Northern People's Congress, 1960-66, an instrument of Northern Nigeria's traditional aristocracy.

9. Rent Seeking

Economic rent is the payment above the minimum essential to attract the resource to the market. Rents “include not just monopoly profits, but also subsidies and transfers organized through the political mechanism, illegal transfers organized by private mafias, short-term super-profits made by innovators before competitor imitate their innovations, and so on” (Khan and Sundaram 2000:5).

Rent seeking is unproductive activity to obtain private benefit from public action and resources. This activity ranges from legal activity, such as lobbying and advertising, to illegal bribes or coercion (ibid.). The waste to society includes not only resource misallocation but also the costs of getting the monopoly or special privilege (Tullock 2003), costs that are a substantial proportion of GDP in many LDCs.

All societies are subject to illegal and corrupt behavior. But pervasive rent seeking occurs where the state is weak, decaying, venal, and lacking rule of law, a phenomenon occuring primarily among low and middle income economies. “Weak and decaying” does not imply a benevolent ruler with a small military force. Indeed, political power backed by military coercion is usually a key resource for substantial rent seeking. Weak or soft LDCs are often authoritarian states, in which the authorities that decide policies rarely enforce them (if enacted into law) and only reluctantly place obligations on people (Myrdal, 1968:2: 895–900). These states are dependent on buying political support through concessions to powerful interest groups. In 1994, Nigeria’s military government and its civilian allies expropriated “more than a thousand million dollars annually – equaling as much as 15 per cent of recorded government revenues – flow[ing] to smuggling networks and confidence teams, many of whom operated with connivance of top elites” (Lewis 1996:97).

Many LDC ruling elites may not benefit from avoiding political decay through nurturing free entry and the rule of law and reducing corruption and exploitation. Instead, political leaders may gain more from extensive unproductive activities in a political system they control than from long-term efforts to build a state in which economic progress and democratic institutions flourish. These activities tend to be pervasive in countries that have abundant mineral exports (for example, diamonds and petroleum), such as Sierra Leone, Angola, the People’s Republic of Congo, and Liberia, whereas predatory economic behavior is less viable in economies with few mineral exports such as India, Tanzania, and Togo (Väyrynen 2000: 440–448).

Indra De Soysa (2000:124) finds that “the higher the per capita availability of . . . mineral wealth, the greater the incidence of conflict.” Omeje (2006:1) characterizes Nigeria as a rentier state, largely dependent on rents and royalties paid by transnational oil companies. In Nigeria, oil revenues dominate export and government revenue and GDP at the expense of other sectors. Controlling the state is a high-stakes game, spurring regional, ethnic, and sectarian conflict in acquiring military power or electoral victories. For Omeje, “The politics of who controls oil wealth and who gets what share of it is centre stage in Nigeria, further aggravating national instability.” When the state’s rent-seeking interest conflicts with the interests of oil-bearing communities, state repression and petro-violence ensue (ibid., pp. 27, 35, 49).

Weak regulation, low interest rates, frequent banking crises, and capital flight have followed financial-sector liberalization. Adenikinju and Oyeranti (1999) contend that much of the capital flight involves funds stolen from the federal government.

From 1986-1993, under a structural adjustment program (SAP) during Babangida's rule, the Nigerian government privatized banks, liberalized the licensing of banks (the numbers tripled from 40 to 120 by 1992), reduced credit guidelines, abolished import licensing, liberalized capital movements, and floated foreign exchange. Military contacts helped determine the allocation of bank licenses under Babangida, while Sani Abacha, from 1993-98, used bank rescue operations to punish opponents and limit independent business people. The President and the Federal Executive Council reviewed applications for banks, many of which were represented by civilian cronies, aspiring politicians, political patrons, or retired military officers (Lewis and Stein 2002:21-26).

Many new entrants to banking concentrated on rent seeking and fraud rather than conventional banking, while accountants, auditors, and examiners from government agencies profited from facilitating illicit activity and regulatory evasion. Banks could evade regulation by political influence, manipulating funds, bribes, or falsifying records. The Central Bank and Nigeria Deposit Insurance Corporation were handicapped by internal disorganization, insufficient personnel, political intervention, and Central Bank financing of expanding budget deficits. After 1989, when privatization was emphasized, many new schemes were single-office operations concentrating on riskless profit from the widening differential between the parallel market, to which these operators had access, and the official market for foreign exchange (ibid., pp. 26-33).

"As the financial sector diversified and expanded, participants became increasingly sophisticated at evading regulation and exploiting the arbitrage possibilities of unstable rules and markets. . . . Pyramid schemes, check kiting, duplicate bookkeeping, bribery and various swindles were pervasive by the early 1990s" (ibid., p. 36). Banks used round-tripping, moving funds from regulated banks to unregulated partners or affiliates. Lenders facing interest rate ceilings could make duplicate charges to borrowers, so the customers would be debited twice for a single loan. In late 1992, loans by insured banks were three times equity so that the bubble burst in 1992-95, with previously buoyant banks declaring billions of naira lost. The foreign exchange market was so politicized that manufacturers and export agriculture were virtually cut off from the foreign exchange market. Hundreds of officers of failed banks were detained in 1998, a pretext for selectively harassing political opponents. In 1998, non-performing loans comprised 15 percent of the total portfolio. "Weak institutional control of the banking industry was aggravated by the dilatory performance of supervisory agencies, which were subject to recurrent political intervention and corruption' (ibid., pp. 37-47).

10. Northern Economic Security

Sections 7-13 examine two issues related to the distribution of economic power and income. First, we look at regional and ethnic ability to use state power to protect economic interests. Second, we examine the distribution of income by region (state) and ethnic community. We will find that regional ability to use state power for economic interests, while it may coincide with elites' rent-seeking opportunities, does not correspond to the regional distribution of income.

This section examines the regional interests of the predominantly Muslim upper Northern elites. The Middle Belt (North Central Nigeria), where Christian missionaries were not barred during colonialism, has a mixed population of Christians and Muslims. Sometimes the Middle Belt and the Northern ruling group had similar interests. The policy of Northernization involved not only human capital investment and training but also regional preferences for Northerners when they were available but relying on foreigners to hold positions until Northerners were ready. During the first republic, 1960-65, the Northern ruling group was able to control some Middle Belt communities through such negative measures as economic sanctions, political reprisals, and military and police coercion and such positive inducements as Northernization in the region's civil service and other modern sectors. This benefited Middle Belt youth, who had higher literacy rates and educational attainment than upper Northerners. The regional quotas for lower ranks and officers recruits, begun in 1962, especially helped the Middle Belt.

Since the early 1950s, Northern leaders, including politicians, government officers, and Native Authorities' officials felt insecure with any Head of Government who was not willing to protect Northern employment opportunities and the Northern Muslim way of life. Security required a Northern Head of Government or an alliance with someone sympathetic to Northern interests (as Yoruba Obasanjo, 1976-79, 1999-2007). The North feared a threat to the Northernization and (especially after 1965) its loss of representation in the federal civil service or armed forces and a majority in the federal parliament.

One of the first threats to the security of regional elites occurred during 1949-53 when the Northern ruling class opposed any plan for Nigerian independence where Southerners were dominant. The British support of Northern resistance, together with Southern impatience for independence, led to a 1958 agreement to leave the Northern Region intact with a majority in the federal legislature. Neither major party based in the East, West, or minority area of the three regions opposed the agreement, as no one wanted to hold up self rule.

However, the quest for security by the Hausa-Fulani – which required Northern supremacy at the federal level – became a threat to elites and their parties based in the other regions. The Northern party, the NPC, became alarmed when the 1963 census at first showed a Southern majority. Accusations from the North concerning the inflation of census figures, especially in the East, led to the census being suppressed. A Northern-inspired re-count in 1963, not surprisingly, gave the North a majority that closely approximated the previous official (1952-53) census. Rotimi Suberu (2001:29) contends that "The 1962-63 census crisis provided . . . evidence of the ability and determination of the North to go to any lengths to maintain its population majority and the political power that it conferred." Despite protests from the East, the Western-based Nigerian National Democratic Party (NNDP) supported its Northern ally in the federal parliament, the 1963 figures were accepted, and a challenge to Northern supremacy was averted.[7] The Southern led opposition, which started the October 1964 federal election with confidence, lost virtually the entire North to the NPC and most of the West to the NNDP before balloting took place, because its supporters were left off voters' lists, its leaders' speeches were frequently forbidden and obstructed, its candidates and spokespersons were violently harassed, and some were arrested while making nominations.

Within a month of the election, supporter of the Southern-based United Progressive Grand Alliance (UPGA) and other dissidents responded to the election fraud (and the political manipulation of cocoa marketing board prices in the West) by spontaneous riots, ambushes, arson, and armed rebellion against members of the regional government and their sympathizers. By December 1965, the Western Region was near anarchy.

The 15 January 1966 intervention into politics, in which Prime Minister Abubakar Tafewa Balewa, Northern Premier Ahmadu Bello, and several prominent politicians and army officers were killed, culminated in General Officer Commanding the Nigerian Army Major General J.T. Aguiyi-Ironsi becoming Head of State. This coup can be interpreted as an attempt to ensure the security of the South and especially the Igbo, by removing the firm hold of Northern emirs and administrators on the federal government. The stresses from the regional and communal competition for a share of the economic pie had been transmitted to the army and politicized its officer corps. The conspirators likely perceived that their positions and promotions were endangered by regional quotas for lower ranks and regional balance for officer recruits, which favored the educationally backward North. Additionally, some radical Southern soldiers resented the ruling coalition using the army for political purposes in the 1962 Western party struggle, the 1964 Tiv (lower Northern community) riots, and the 1964-65 election crisis.

The Ironsi government promulgated decrees replacing the regional federation with a unitary administration, imposed a unified civil service, and made other changes that disadvantaged the North. The decrees were introduced at a time of fear of Igbo hegemony because of the ethnic composition of the coup and the advisors to Igbo Ironsi. Civil service unification, together with the repudiation of Northernization by the Northern military governor, aroused anxieties in the North about losing jobs to better-educated Southerners. Northern university students, joined by the unemployed, daily-paid laborers, petty traders and contractors, who formed a symbiotic relationship with leading Northern

[7] Census enumeration has been a consistent source of conflict because population determines revenue allocation and parliamentary representation. The census in 1973-74 contributed to inter-ethnic conflict so bitter that Gowon announced 1 October 1974 that civilian rule would be delayed beyond 1976. Southern leaders alleged that in the far North, which accounted for 52.1 percent of the population in 1973 compared to 42.0 percent in 1963, the civil service had helped fabricate census forms after the head count had been completed. Southwestern Chief Obafemi Awolowo, the most vocal southern opponent of the results, called on the Supreme Military Council to reject the figures. By 1976, Gowon was replaced in a coup, partly for failing to maintain the initial deadline for civilian rule. The new Mohammed government agreed to continue using the 1963 figures (Nafziger 1983:174).

political figures, spearheaded the 29-30 May riots in which hundreds of Igbos in the North were killed and much of their property was destroyed. Moreover, the new regime had antagonized potential allies who were opponents of the previous civilian government, Middle Belt soldiers and bureaucrats, who gained from Northernization, and Westerners.

General Ironsi and a number of other Igbo officers were killed 28-29 July 1966 in a counter coup launched in a charged atmosphere of rumors circulating rampantly of an Igbo plan to annihilate key Northerners. Lieutenant Colonel Yakubu Gowon, an Angas (a small Middle Belt community) and the only officer that appeared capable of receiving the support of rebelling Middle Belt troops and federal civil servants, emerged as Head of State. Gowon, in his broadcast to the nation, 1 August, was dissuaded from Northern secession by high ranking civil servants and judges and British and U.S. emissaries, and announced a return to the pre-Ironsi federal structure (Nafziger 1983:65, 72). Nigeria still depended heavily on Britain and other western allies for military supplies and training, trade, aid, and capital flows.

The rift between the Eastern and federal military governments, which eventually widened into a civil war, began immediately after the second 1966 coup. On 27 May 1967, Lieutenant Colonel Odumegwu Ojukwu, military governor of the Eastern Region, declared the region the independent Republic of Biafra. However, the West, by refusing to secede, provided the North a crucial ally, which preserved Northern power.

As indicated previously, Gowon was replaced by General Mohammed, a Hausa, who strengthened further the power of the federal government relative to state governors. After Mohammed's assassination, General Obasanjo became Head of State and initiated a transition to civilian rule, when he handed power to the newly elected president Shehu Shagari, a Fulani, with strong support from Northerners and Southern minorities. Declines in petroleum revenue exports and GDP, 1981-83 and accusation of ethical lapses and 1983 electoral fraud contributed to public relief upon his overthrow 31 December 1983, after which Major General Muhammadu Buhari, a Fulani, became Head of State.

Muslims and Christians generally have lived in relative peace among the southwestern Yorubas and the Middle Belt. Religious identity and cultural rights associated with them did not become an issue contributing to violence until the 1979 constitutional debates leading to the second republic (Bah 2005:41, 63). Twelve states introduced sharia, based on Islamic law, which contributed to conflicts between Muslims and Christians in the Middle Belt.

11. Military Rule, 1983-1999

Buhari too faced daunting economic problems, but was overthrown by General Ibrahim Babingida on 27 August 1985 probably to prevent the investigation of alleged fraudulent award of contracts in the Ministry of Defence. Babangida, a Gwari from the Middle Belt, promised to end human rights abuses and hand over power to a civilian government by 1990. He saw the need for political and social restructuring, tied to economic reform, to reverse Nigeria's political and economic decline. Babangida conducted a "yearlong dialogue" with the Nigerian public, a public relations exercise resulting in vocally rejecting an IMF stabilization loan but agreeing to undertake less onerous structural adjustment policies (SAP) "on its own," approved for a loan by the World Bank in October 1986, and buttressed by Western commercial and central bank support. While authoritarian regimes, in comparison to democracies, may be less dependent on popular pressures and can use repression to implement adjustment policies, reform had little effect, as Nigeria's stagnation continued. Still, these reforms provided rent-seeking opportunities for the Babingida regime to expand its clientage. In 1989, there were anti-SAP and anti-authoritarian riots by the National Association of Nigerian Students (NANS) and Academic Staff Union for Universities (ASUU), and continuing protests by intellectuals, journalists, labor, media, and the clergy. NANS and ASUU were dissolved and the Nigerian Labour Congress and other pro-democracy opponents of the regime were suppressed (Edozie 2002:34). On 22 April 1990 Major Gideon Orkar, a Tiv junior officer, led the second of two attempted coups against Babangida in what Orkar characterized as an effort on behalf of the Middle Belt and Southern peoples and against "the tyranny of the North." He wanted to excise the five far Northern Muslim states and to stop what he alleged was at attempt by Babangida to become president for life. The coup was quelled the same day, with 69 alleged coup plotters tried by a military tribunal and executed in July-September 1990.

Under pressure from the Campaign for Democracy coalition and other democratic forces, Babangida agreed to a transition to democracy, with two parties shaped by the military allowed to compete. M.K.O. Abiola, a Yoruba, ran for the presidency as a candidate of the Social Democratic Party, and won convincingly on 12 June 1993 in what most regard as the freest and fairest presidential election ever held in Nigeria. The results were annulled by General Abacha, and he handed over the presidency to Chief Ernest Shonekan, who was overshadowed by the military, until finally Abacha replaced Shonekan after four months in November 1993. According to Peter Lewis, Pearl Robinson, and Barnett Rubin (1998:55): Abacha "established the most repressive government in Nigeria's post-independent history. The country's military rulers have governed without accountability, political participation has been stringently curtailed, human rights abuses have been endemic, and the traditionally independent media have been partly curbed." Abacha imprisoned Abiola and executed Ken Saro-Wiwa, a leading activist for the rights of the Ogoni who had been marginalized by federal policy in the oil-rich Niger Delta. Yet at the same time, after the aborted 1993 election, Abacha was able to co-opt leading politicians and scholars with money and renown. Indeed, Abacha had so intimidated the Nigerian polity that he stage-managed an election scheduled for October 1998, in which all five contending parties nominated him as their candidate. Abacha, however, died under mysterious circumstances on 8 June 1998. He was replaced by General Abdulsalam Abubakar, who realized that "Nigerians were tired of military rule and Hausa-Fulani domination," (Bah 2005:32) as the Middle Belt, the South, and the Niger Delta had generally been excluded from political influence and patronage of the three Northern leaders – Buhari, Babangida, and Abacha (Lewis 2007:240).

The 1989 Constitution, written by a small group of military leaders for the aborted third republic of 1993, became the basis for the fourth republic of 1999- . In the January 1999 election, General Obasanjo came out of retirement to be elected civilian president, with strong electoral support from the Muslim North and southeast rather than his home area, the southwest, where he lost to the only opposition candidate, Olu Falae. Obasanjo, remembered for his three years of military rule in the late 1970s, was not considered a representative of the southwest. Indeed, under the informal agreement of his People's Democratic Party (PDP), the presidential nomination was to be rotated between South (Obasanjo, 1999-2007) and North (with Umaru Musa Yar'adua, a Fulani and previous governor of the far Northern state of Katsina, declared the winner of the fraudulent election of April 2007, taking office in May 2007).

After the civil war and reconstruction, competition for power shifted from the region or state to jostling for conquest of a unitary center. Accompanying this new phase, as real per-capita income plummeted from 1980 through the 1990s, was politics as a zero-sum game. In lieu of democratic contestation, the game, played by a succession of military players, was deceptive, repressive, and authoritarian. Jibrin Ibrahim (2000: 41) analyzes this period as follows:

> The Nigerian military has been engaged in a programme of transition to democratic rule since 1985 and many scholars now believe that the military have developed a strategy of permanent transition or transitions without end . . . as a ruse to prevent democratisation in Nigeria. Under successive so called democratic transitions, the authoritarian grip of the state has become firmer and democratic forces as well as civil society have been receiving a very thorough bashing. As repression increases, there is a marked increase in the rate of the decomposition and/or disarticulation of effective state authority and legitimacy and the coercive apparatus of the state becomes terroristic in its actions, rather than playing its expected role as the organ with the monopoly of the legitimate use of violence in society. This situation has provoked the intensification of different forms of identity mobilization and consciousness (ethnic, regional, religious, communal etc.) and even conflagration.

In 1986, under General Babangida, Nigeria became a full member of the Organization of the Islamic Conference. However, after protests from non-Muslims that Nigeria's constitution provided for a secular government, Nigeria downgraded its relation to observer status in 1991.

The ICG (2006:3) states: "The deep sense of alienation felt by diverse groups throughout the country has fuelled the rise in ethnic identity politics, ethnic militias and, in twelve northern states, disputes over the application of Islamic law (Sharia)." Sharia is based on applying Islamic law to marriage, divorce, adultery, family, land, business, liquor, theft, and social issues. During the fourth republic, 1999-2007, conflict between Muslims and Christians in Plateau state, other Middle Belt states and Kaduna state resulted in tens of thousands of deaths, 2001-2007. But sectarian identity often crosscuts economic identity, as illustrated by the conflict between farmers and herdsmen, 2001-2004.

With each political transition, such as the first presidential turnover during the fourth republic, the competition for benefits and avoidance of costs intensifies. Lewis (2007:66) dates the marked decay of the state to the periods of successive military rulers, Babangida and Abacha. “These leaders fomented the degeneration of major state institutions such as the military, the civil service, the judiciary, and the educational system. They narrowed their ruling circles, wielded more ruthless tactics against perceived opponents, and amassed enormous personal fortunes.”

12. Southwestern and Southeastern Economic Interests

The South’s position in the federation is the other side of the coin from the North’s achievement of economic security through the Head of Government. Northern efforts at achieving economic security and political dominance threatened the interests in the southwest and southeast, the Yoruba and Igbo respectively. The North was very adept in protecting its regional interest during most of Nigeria’s last fifty years: through having independence postponed until attaining a parliamentary majority, using election fraud in 1964-65 and 2007, resisting censuses showing a Northern minority, countering the threat of a unitary civil service in 1966, preventing secession beyond the East in 1967, creating new Eastern states in 1967, being on the winning side in the civil war, being prominent in the second republic (1979-83), having a Northern military Head of State in 1966-76 and 1983-99, and aborting a non-Northern election victory in 1993. Regional efforts to protect their interests were not a positive-sum game, as Northern increases in its economic security threatened Southern economic security. The Southeast and Southwest were not able to use political levers to attain regional economic security and capture sizeable economic rents for their elites.

The Western Region, contrary to indications earlier in May 1967, remained in the federation rather than allying with Biafra. Although Igbos held fewer posts in the federal civil service than Yorubas, predominantly from the West, the Igbos provided strong competition for certain positions, and Eastern secession provided an opportunity for Westerners to make gains at the center by supporting the federation. Moreover, in the twelve months before Eastern secession on 27 May 1967, Chief Obafemi Awolowo, a Yoruba whose party lost in the 1964 fraudulent Western election, was pardoned, released from jail, and (at the time of the secession) appointed to the government’s highest civilian position, finance commissioner and deputy chairman of the Federal Executive Council.

Under military rule, Lieutenant Colonel Odumegwu Ojukwu was military governor of the Eastern Region, January 1966 to 27 May 1967, when he declared Eastern secession as the independent Republic of Biafra. Biafra surrendered to the Federation on 12 January 1970.

The migration of labor from the overpopulated East before 1966 had drawn that region to the federation and strengthened their advocacy of Nigerian nationalism. In 1952, 40 percent of the 770 thousand internal migrants (living in a region other than their ethnic homelands) in Nigeria were Igbo; of the Igbos who migrated, 54 percent migrated to the North (Nafziger 1983:97). The East was the most densely populated region, with poor agricultural land and a population density of 1,088 persons per square kilometer compared to 404 for Nigeria as a whole. In early 1966 the Northern private sector was dominated by Igbos and other southerners, Levantines, and Europeans, who were sending their earnings out of the North. Riots against Igbos and other Easterners in May, July, and September 1966 (several thousand, including a few army troops, were killed in 1966) led to 1.6 million Easterners leaving other regions, primarily the North, during the fiscal year, 1 April 1966-31 March 1967, for their ethnic homelands. Only 60,000 Easterners remained in the North during that year (ibid., p. 101).

But the exodus of large numbers of Igbos and other Easterners from other parts of Nigeria and the closing of employment and investment opportunities outside the East, substantially reduced their cost of secession. Many Easterners were afraid that the North, which used its political power to realign economic power through Northernization, would do the same in the federation. Many were concerned that regional quotas (for example, 50 percent North) for newly commissioned military officers and lower entry qualifications to accommodate Northerners, in 1961-62, might be broadened to apply to higher-ranking military officers and civilian federal civil servants.

As early as the federal election crisis of 1964-65, the credibility of threats of Eastern secession was linked to the considerable potential of petroleum production in the East. Alhaji Yahaya Gusau, federal commissioner for economic development, expressed a common view of federal officials in 1969: “The root cause of the present civil war is really an economic one. For example, I am convinced that if there were no petroleum discovered in large quantities in parts of the former Eastern Region, the secessionist leaders would not have tried to break up Nigeria” (ibid., p. 105).

The dominant structural change in the Nigerian economy before the civil war was the rapid increase in the crude oil’s share of GDP. Petroleum’s volume grew from 5,000 b.p.d. in 1958 to 415,000 b.p.d. in 1966, a growth of 78 percent yearly. By then Nigeria, with an annual export value of $258 million, about two-thirds of which was in the East, ranked 13th in the world in crude oil production from that region alone. Crude oil exports, 33.1 percent of export value in 1966, made a net positive contribution of N21.7 million to the balance on current and capital account to counter a deficit of N27.1 million in other sectors; total merchandise exports were N140 million. The oil sector viewed in 1967 promised to be even more important in the future; Scott Pearson, writing in 1966, projected that the positive balance-of-payments impact of the oil sector would be N56 million in Biafra and N52 million in Nigeria in 1973, each more than double the entire federation’s total in 1966 (ibid.).

On 27 May 1967, Gowon announced the establishment of 12, which left the ruling Igbos with control only of the East-Central state, a mere 9.7 percent of Eastern Nigeria’s oil output and without Nigeria’s only oil refinery, compared to the overwhelming majority of oil in states controlled by minorities, who had faced discrimination from Igbos. In comparison, 42.6 percent of the petroleum production in the Eastern Region had been in Igbo ethnic areas (ibid., pp. 105, 115).

Interregional financial allocation was even a greater bone of contention during the 1960s than it has been since 1980. Before 1959, all revenues from mineral and agricultural products had been retained by the producing region. But after 1959, only a fraction of the revenue from mineral production was received by the region of production, a major source of the East's dissatisfaction.

Nafziger (1983:161-169) discusses the war cost to Biafra and Nigeria, 1967-70. Here I examine the longer-run war cost to Igbos and other Easterners. Although federal and state authorities contributed reconciliation between populations on both sides, Igbos, despite their relatively high levels of education, lost positions in the federal civil service, foreign service, armed forces (the preponderance of Igbo officers in the early 1960s was replaced by Northern dominance during and after the civil war), universities outside the East, and in business in areas outside their ethnic homelands. Igbos were replaced, often by Yorubas who were the major competitors to Igbos for skilled jobs. Even when they were rehired, they often lost ground to employees who took their places during the war. Finally, even in the former East-Central state, many civil servants past 50 years were retired because of the large supply from elsewhere, particularly those from the federal government who were replaced during the war, and from the former Eastern Region.

Moreover, discrimination limited the return of Igbo traders and workers to areas just outside Igboland, especially around Port Harcourt, where citizens from the former East-Central state were barred from buying abandoned houses there. They also lost economic opportunities in several other states a part of the Eastern Region in 1966. Ironically Igbo business people and employees often had opportunities to work in the North, where entrepreneurs and skilled workers were in shorter supply. But Igbos have complained that the indigenization decrees in 1972 and 1977 that shifted manufacturing from foreign to indigenous dominance[8] was too early for them to participate. Overall, as of 1999-2007, Igbos had not regained the level of employment and business participation that they had before the civil war.

With the end of military rule, the deep frustration of Igbos resulted in a militia, the Movement for the Realisation of the Sovereign State of Biafra (MASSOB) in 1999, a movement that Igbo elites did not join. MASSOB had its counterpart in militias in Yorubaland - the Odua People's Congress (OPC), a 1994 response to annulling Abiola's win. Even disgruntled Northerners, including some military officers, formed a militia, the Arewa People's Congress (APC), which protested alleged marginalization during the Obasanjo regime.

For Billy Dudley (1966:21), "with political power shifting to the Centre, the real levers of power are actually to be found in the North. Federal super-ordination, to put it differently, has in practice turned out to be Northern dominance." This political dominance, with few checks and balances, has continued through the present. And in the Southeast, the Igbos, because of Biafra, had the greatest loss in economic position among the three major

[8] Nafziger (1983:181) lists the affected sectors. Indigenization transformed shareholding much more than management, as loopholes were substantial (Nafziger 1988:90, 101).

groups. Yet, as indicated below, the South, including the Southeast, still has an average income above that of the North.

13. Minority Economic Interests

Rotimi Suberu (2001:15, 82) writes: “The initial pressures for new states in Nigeria arose from the opposition of the nation’s ethnic minorities to the British-constructed tripartite regional structure, which entrenched the hegemony of the Hausa-Fulani, Yoruba, and Igbo nationalities in the Northern, Western, and Eastern Regions, respectively. . . . Nigeria, unlike other federations, appears to be trapped in an endemic, unending, and seemingly intractable process of internal territorial agitations and reorganizations.” In 1963, the federal ruling coalition used a split in the opposition AG, then the West’s majority party, to destroy the AG and excise the minority Mid-Western Region (now Delta and Edo states) from the West. The AG had been clamoring for more states, financing the efforts by the United Middle Belt Congress (UMBC) and Calabar-Ogoja-Rivers group for statehood in the North and East, respectively. The Northern-based NPC and Eastern-based National Council of Nigerian Citizens were the ruling federal coalition and decided to give the AG a taste of its own medicine.

Ethnic minorities worked to strengthen the Nigerian nation and its power at the center. Nigeria’s expansion of the federation from four regions to 12 states in May 1967 gave more power to minorities. Moreover, during military rule, rulers were able to respond to unrest by minorities by expanding the number of states, sometimes transforming a state minority into a majority, creating new patron-client networks but also new minorities, including “settlers” or non-indigenes (such as Hausas in Oyo state or Igbos in Kaduna state), whose rights of representation and land ownership were trampled on. However, given the Hausa-Fulani’s dominance at the federal level, they were more successful in maintaining their power in Middle Belt states than what Southern regions were in minority areas.

“The smaller ethnic groups in each of the regions tended to see themselves as confronting a situation akin to a majoritarian dictatorship . . . . Ethnic minority identity developed . . . as a recognition of their ‘powerlessness’ in the face of ethnicised electoral politics.” (Mustapha 2000:87).

The Middle Belt comprises ethnic communities that resisted the Muslim political power of Sokoto and Borno. The Tiv violently opposed extension of Muslim emirate control, necessitating army interventions in 1960 and 1964 (Aborisade and Mundt 2002:58). Since 1999, with efforts by 19 Northern states to institute sharia, perhaps a response to concern about potential Southern non-Muslim hegemony, the polarization between Christians and Muslims has increased.

The Ogoni, Ijaw, Itsekiri, Urhobo, Edo, Ibibio, and Efik, from the South South (or Niger Delta), are minorities in the former Eastern and Mid-Western Regions. The southeastern minorities, Ijaw, Isoko, Ibibio, Ekoi, and Efik (east of the Niger River) were resentful of discrimination by the ruling Igbos in the East, mostly welcoming the invading federal troops in April-May 1968.

The Delta minorities first tried to get states on their own, but failing that formed the Benin Delta People's Party and the Niger Delta Congress, trying to find allies among major parties. In 1976, parts of the Mid-Western (later Bendel) state were transferred to the Rivers state, split off from the Eastern Region in 1967. In 1989, new states were split from former Eastern or Western states, and Bendel divided into Delta and Edo. Still during the 1990s and the early part of the 21st century, the Niger Delta minorities' major grievances were the sparse revenue allocation from petroleum extracted from, and environmental degradation of, their land. Obasanjo, as military ruler, promulgated the Land Law of 1978, which made the government the owner of all land in Nigeria. Niger Delta activists contend that oil companies should pay rents and royalties for use of land to its owners or communities instead of the federal government. In December 1998, the Ijaw Youth Congress "demanded the immediate withdrawal from Ijawland of all military forces of the Nigerian State," which has majority ownership in oil prospected by Shell Oil (Mustapha 2000:86-108).

A major grievance of the Delta peoples is so little revenue distributed to the region that produced the commodity. The formula for revenue distribution changed frequently after 1967, with different weights on population, derivation, equity, need, and land area. From 1983 to 1999, under military rule, the "lack of transparency and political accountability meant that federal authorities had wide latitude in making actual disbursals and allotting resources" (Lewis 2007:142), and decision making was consolidated and centralized.

During 1983-99, derivation as a component of the formula for state distribution was reduced from 50% to 0 so that the Delta received only 3% of federal revenue. In 1999, the civilian government increased derivation to 50 percent of revenue determination so that the Delta received 13% of central revenue (UNDP 2006b:39).

Data from the UNDP's *Niger Delta Human Development Report* (2006b:35-42) and Nigeria's Bureau of Statistics' *Poverty Report 2005* (tables 1 and 2) indicate that the Niger Delta, although poor relative to its position in 1980, is not poor relative to other Nigerian zones. The Delta, as Nigeria generally, experienced increased income poverty during military rule, reflected in statistics, 1980-1996, but regained a small proportion of its loss during civilian-government economic reforms (reflected in 1996-2004 figures). To be sure, UNDP's view (2006b:36-37) is that "the true level of poverty in the [Delta] region [is] underestimated. . . . If tied to purchasing power, the actual poverty level could be much higher," as prices are tied to the high earnings of oil sector workers." Aside from that adjustment, poverty is multidimensional, including not only low income but also lack of food, assets, and access to basic infrastructure (roads, transport, and clean water); illiteracy; poor health; and powerlessness, voicelessness, shame, and vulnerability (Nafziger 2006:167-168). UNDP (2006b:36-37) states: "Poverty has become a way of life due to economic stagnation; agricultural underdevelopment from soil infertility; unemployment; poor quality of life due to shortages of essential goods, facilities and money; isolation and poor communication; government insensitivity; and an unhealthy environment spreading disease and malnutrition. . . . Other issues include poor environmental quality and high levels of pollution, conflict and lack of security, threats to health and well-being including HIV&AIDS, and unsustainable livelihoods."

For the UNDP (2006b:36-37):

> The critical issue in the Niger Delta is not only the increasing incidence of poverty, but also the intense feeling among the people of the region that they ought to do far better. This is based on the considerable level of resources in their midst, and the brazen display and celebration of ill-gotten wealth in Nigeria, most of which derives from crude oil wealth. . . . In addition, the oil and gas industry has damaged farmlands and fishing grounds, which have harmed traditional occupations such as fishing, farming, lumbering, crafts and small-scale agro-based activities. . . . [Moreover, the] region [has] been excluded from tapping into modern infrastructure.

This has contributed to the indignation, social discontent and frustration (ibid.) and mobilization of deprivation into collective violence by militias.

Stakeholders, meeting in Port Harcourt in February 2006 and representing all Delta states, told UNDP (ibid., pp. 41-42) the following:

> In 2003, no election took place in (our state). The State Governor simply allocated figures and put the people he liked in the House of Assembly. . . . Most state parliamentarians are not true representatives of the people, and do not owe any allegiance to the electorate but only to the powers that be. Thus, the elected state assemblies in the region do not provide the necessary check on the executive branch in the way money is allocated and spent. There is a very strong belief in the delta that the state governors divert most of the fiscal allocations from the Federation Account and Derivation Fund to their states for their own private use. The mismatch between allocations and the low level of infrastructural development and service delivery seems to lend credence to such a claim. . . . In some of the core delta states, it is an 'open secret' that local officials do not reside in the locality and hardly visit their offices at all for months on end. Yet thy collect and disburse the monthly allocations from the Federation Account. No poverty alleviation programme can be implemented in an atmosphere of such gross and barefaced official corruption. Still, in the midst of the rot, there are a few good examples that can serve as role models.

UNDP (2006b:40-41) states the following about Delta region governance:

> Part of the problem of poor service delivery [to Delta communities] is traceable to the absence of effective machinery to hold elected officials accountable to the electorate. . . . with rulers not acknowledging any obligation to be accountable to citizens. Civil democratic rule has not changed the situation much because elections are flawed in several ways. . . . Those with ample funds employ thugs to terrorize opponents, and prevent free and fair access to the electorate. Federal and state elections are usually rigged and not a reflection of voter preferences, while local elections, conducted by state electoral commissioners, are even less related to local wishes. Election administrators and security agencies condone and/or abet

> the perpetuation of electoral malpractices, thereby eroding public confidence in electoral outcomes, which in turn leads to declining legitimacy of elected officials and their institutions.

Most lost oil production from theft and sabotage can be attributed to armed militia groups or other alienated Delta groups who want regional autonomy. Hundreds have been killed through fighting between Delta dissidents and the federal government or its attack on locals. Militia groups include the Egbesu Boys, the Ijaw Youth Council, the Niger Delta Volunteer Force, the Chicoco Movement, and the Federated Niger Delta Ijaw communities. Some splinter groups use "extortion, hijacking, sabotage and kidnapping for private gain." (Global Security 2001). After early 2006, the Movement for the Emancipation of the Nigerian Delta (MEND), a guerrilla group trying to be an umbrella group for Niger Delta militias, has been the source of many of the attacks and kidnapping. Militia members, primarily discontented youth, are increasingly sophisticated, massively disrupting production with attacks on pipelines, pumping stations, and oil platforms. MEND has been involved in intermittent fighting with federal police and armed forces.

Delta dissidents complained about lack of social amenities and substantial environmental pollution, and demanded control of land and resources. They wanted a share of power along with the majority groups. Since 1967, the federation's revenue allocation formulas have been continually revised, but even 1999's increase in the Niger Delta's share is a far cry from the Delta's demands (Mustapha 2000:95).

The most prominent dissident Delta group was the Movement for the Survival of Ogoni People (MOSOP), formed in 1990. The leader of the radical wing of MOSOP was author Saro-Wiwa, who received some international support. Divisions within MOSOP and the attack on MOSOP by the federal government resulted in many deaths (ibid., pp. 95-98). When the Abacha regime executed Saro-Wiwa and eight other Ogoni activists in November 1995, Nigeria was suspended from the Commonwealth and from capital markets (Lewis 2007:179)

14. Control of Natural Resources

The struggle by regions and individuals for control over mineral revenue is an important source of conflict. In Nigeria, rulers and their allies use mineral contracts with foreign firms to "regularize" sources of revenue in lieu of the building government institutions to collect taxes.
In Nigeria, the ethnic, regional, and sectarian distribution of economic benefits depends greatly on which people, parties, and regions control political power in the center, which controls petroleum revenues collected by the center, not from taxes, thus requiring little effort to build state institutions for mobilizing revenue. The Head of State, senior Ministers, and officers acquire economic rents for themselves and their allies and the power to determine resource distribution. After 1967, the president and federal cabinet

frequently changed the formula for revenue allocation. In the initial flush of growing oil affluence, the federal government escalated the 1974 Udoji Commission recommendations for salary increases several fold and expanded investment projects and subsidies[9] for fuel and basic commodities without implementing the recommended public service reforms and performance incentives or considering budgetary and balance-of-payments constraints.

Nigeria is a patrimonial state, where rulers strengthen their personalistic grip on power amid state and bureaucratic decay by relying on external resources for survival. Although Nigeria is ranked 17th in *Foreign Policy*'s Failed State Index (July/August 2007), I do not think Nigeria is yet a failed state. It still provides some educational and health services for its citizens. But Nigeria experienced decay in the capacity of the state and its agencies in 1983-99, and has not halted the downward spiral of economic stagnation, political concentration, and associated political violence during the post-1999 civilian rule.

15. Income Distribution

Large income inequality exacerbates the vulnerability of populations to political conflict. In Nigeria, ruling elites' emphasis on distributive politics to hold on to power has meant that efforts to reduce regional and class inequality have taken a back seat.

Nafziger and Auvinen's (2003:90) use of panel data with an improved Deininger-Squire (1996:56-91) income distribution dataset and Alesina and Perotti's (1996) cross-section study of 71 developing countries find that income inequality, by fueling social discontent and relative deprivation increases deaths (per million population) from domestic conflict. Africa has both high inequality (Milanovic 2005:195) and the highest percentage of deaths from deadly political violence (Stewart, Huang, and Wang 2000:71).

Nigeria's National Bureau of Statistics undertook a survey, the Nigerian Living Standard Survey, with World Bank monitoring, in 2004, with figures updated to 2006 (Nigeria 2006a). The study's goal was to determine poverty incidence, poverty gap, and gini for each of 36 states, six regional zones, and nationally. Poverty was measured, using a multidimensional concept of poverty, including nutrition (food expenditure required to attain the Food and Agriculture Organization (FAO) adult equivalent scale of 2900 calories per day), income, assets, education, and health, providing detailed poverty mapping, with data on poverty assessment and basic needs indicators at local levels (Nigeria 2005), that can enable a government to "guide alleviation efforts aimed at attacking poverty at local levels" (San Martin 2003: 173).

[9]Despite Nigeria's ownership of large energy reserves, corruption and mismanagement leave Nigeria's firms and houses chronically short of electricity and prone to power failures, necessitating diesel-powered generators as backups for those who can afford it. In addition, there are queues of two hours to a day to buy subsidized gasoline, not surprising because the lower than equilibrium price contributes to excess demand. Attempts to end the subsidies have provoked riots (Associated Press 2007).

If we focus on discrepancies between actuality and expectations, we can observe a number of potential sources for discontent or relative deprivation in tables 1 and 2. Nigeria's gini, 0.56, is ranked the 15th highest of 113 countries in the world in the late 1990s (World Bank 2003a:64–66) and 27th highest of 127 countries, at 0.49 in 2005 (table 2). Gini is especially high in the Niger Delta and in the highly urbanized South West, both regions of which have been highly discontented. Moreover, during the long continuous period of military rule, measured best by 1980-1996 in table 1, when a few men at the center made huge gains from rent seeking, poverty increased *continually* over time in virtually all regions. Thus, all zones were deprived relative to previous periods, raising the potential for social discontent and political violence. Even under generally repressive military rule, discontent boiled to the surface, culminating in huge deprivation deficits at the first election of the fourth republic in 1999. Moreover, the average Northerner was deprived relative to Southerners. All this took place amid a falling level of living, 1983 to 1998, during military rule. This negative-sum game during the clash to win control of oil revenues at the center helped contribute to increased conflict between Northern Christians and Muslims, among ethnic groups, between majority and minority group, and between state natives and "settlers."

Through the demonstration of consumption levels of the relatively well off, high income concentration increases the perception of relative deprivation by substantial populations, even without the absolute deprivation of 1983-99. The risk of conflict increases with a surge of income disparities by class, region, and community, especially when these disparities lack legitimacy. Class and communal (regional, ethnic, and religious) economic differences often overlap, exacerbating perceived grievances and potential strife. Regional differences in income also correspond to regional differences in education, literacy, and employment opportunities.

In 1980, Nigeria and South Korea had about the same income distributions and were both World Bank middle-income economies. However, since 1980, Korea's poorest 40% enjoyed substantial growth while Nigeria poorest saw below-average growth. The 1980 ratio of real per capita income of the bottom 40% to the top 20% was 0.18 in both countries. In the late 1990s, though, this ratio was 0.09 in Nigeria compared to 0.26 in Korea (World Bank 2005:88-89), while Korea was a high-income country and Nigeria a low-income country encountering difficulty in coping with its deprivation and discontent.

16. Military Centrality

Military centrality can contribute to conflict through the absence of mechanisms to settle grievances, the threat to civilian regimes, and the discontent from reduced consumer spending. Auvinen and Nafziger (1999:267-280) find that military centrality is the strongest and most robust correlate of war. However, their measures of war are not causally related to military expenditures, either in Nigeria or world-wide, as the association is strongest without any lags or leads. For Nigeria, causation ran from war to military spending from 1965 to 1971, when after the war, the ratio of armed forces to population was one of the highest in Africa (Nafziger 1983:176).

Table 1 National and Zonal Trends in Poverty Levels (%), 1980-2004 ($1/day poverty line)

National/Zonal	1980	1985	1992	1996	2004
National	28.1	46.3	42.7	65.6	54.4
South South (Niger Delta)	13.2	45.7	40.8	58.2	35.1
South East	12.9	30.4	41.0	53.5	26.7
South West	13.4	38.6	43.1	60.9	43.0
North Central	32.2	50.8	46.0	64.7	67.0
North East	35.6	54.9	54.0	70.1	72.2
North West	37.7	52.1	36.5	77.2	71.2

Source: Nigeria, National Bureau of Statistics. 2005; and UNDP 2006b:35.

Table 2 Population, Poverty and Income Concentration by Zone and Nation

Region	Population (000) 2006	Average Monthly Household Income (N) 1998/99	Incidence of Poverty 2005	Gini 2005
South South (Niger Delta)	31,223	1412.12	35.1%	0.507
South East	9,613	1677.12	26.7%	0.449
South West	24,141	2096.37	43.1%	0.554
North Central	20,265	1141.45	67.0%	0.393
North East	18,973	680.55	72.2%	0.459
North West	35,260	738.94	71.2%	0.371
National	139,475	1142.59	54.4%	0.488

Source: Same as Table 1.

Note: My regional boundaries are the same as Rotberg (2004:152-153) except that I have adopted UNDP's (2006b:1) border for the Niger Delta region.

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Despite Nigeria's recurring military rule, military centrality is lower than average among African countries and LDCs generally (World Bank 2006:290-292). Why? First, unlike many LDCs, the dominance of Nigeria in West Africa keeps it relatively free of external challenges. Second, Nigeria bears a comparatively small proportion of its military spending, due to Nigeria's leadership in UN or African Union peacekeeping borne externally.

Thus the military centrality hypothesis breaks down in Nigeria's case.

17. Slow Growth, Income Inequality, Agricultural Neglect, Chronic External Disequilibrium, and Deadly Political Violence: A Comparison to Indonesia[10]

I summarize my comparisons (Nafziger 2006:196-199) of Nigeria to populous oil-exporting country Indonesia, in spuring growth, reducing poverty and malnutrition, and setting the stage for increased political stability. Indonesia was led by President Sukarno from independence in 1950 to 1965, when he was overthrown by Major General Suharto, an authoritarian president through his downfall in 1998.

The differences in political stability result from dissimilar economic growth and income distribution ensuing from disparate polices. In 1973, Indonesia's GDP per capita was $PPP1504 compared to Nigeria's $PPP1442 (1990 PPP) (not current nominal US$ as in fig. 1.) By 1990, Indonesia's GDP per capita, $PPP2516 was double Nigeria's $PPP1242, and by 1998 triple, $PPP3070 to $1232 (1990 PPP). From 1973 to 1998, Indonesia's per-capita annual growth was 2.90% compared to Nigeria's –0.63% (Maddison 2001:186-265), indicative of a fall from 1965 to 2004 in average economic welfare (including nutritional standards), the marginalization of middle-level professionals, and widespread corruption and unaccountable rakeoffs by military and political rulers, civil servants, and their clients. Despite the authoritarianism of Suharto, and his fall from power from a financial crisis, student and worker discontent, and secessionist conflict, Indonesia's economic development was more even by class, community, region, and urban-rural area. Indonesia diversified its economy, pursuing labor-intensive industrialization. Moreover, Indonesia invested heavily in education (gross enrollment rates of 51% in secondary and 10% in tertiary education compared to 34 and 4%, respectively, in Nigeria in 2001). Indonesia's gini fell from 0.46 in 1971 to 0.41 in 1976 to 0.30 in 1990 and 2000. The best inequality data indicates the ratio of Nigerian industrial to agricultural labor productivity increased from 2.5:1 in 1966 to 2.7:1 in 1970 to 7.2:1 in 1975, after 1973's fourfold increase in petroleum prices; the ratio probably fell in the 1980s and increased in the 1990s.

Indonesia reduced its $1/day poverty incidence from 59% in 1975 to 7% in 2000, while Nigeria's incidence soared (table 1). Indonesia even recovered from its 1997–98 financial crisis (measured using a national line) with a poverty increase from 11.3% (1996) to 18.9% (1998) before declining to 11.7% (1999).

Auvinen and Nafziger's (1999:280) econometrics, including a test of lags and leads, indicates that slow growth of food production per capita was a source of deadly political violence, a stronger relationship than the reverse chain from political violence to food growth. A major contributor to Indonesia's reduced rural poverty during the last quarter of the 20th century was use of petroleum funds to increase agricultural investment, contributing to a dramatic increase in rice yields. For example, in Balearjo, East Java, 1953-85, rice yields increased from 2 to 6 tons of paddy per hectare for the wet season

[10]Nafziger (2006:196-199) provides more detail and a discussion of sources.

crop, whereas the daily wage rose from 2 to 4 kilograms of rice. By contrast, despite the oil boom, Nigeria neglected to invest its surplus in food and agricultural production. Nigeria’s nutritional levels barely increased from the mid-1960s to the late 1970s, with the poorest 30–40% of rural households and many in new urban slums being seriously undernourished. Average calorie intake in Nigeria, especially in the otherwise more prosperous South where diets relied heavily on roots and tubers, did not improve, 1952-85. Indeed, 1985 average consumption levels were lower than in the 1950s (World Bank 1994:42; World Bank 2001:163; World Bank 2003b:58–60).

Before 1973, both countries had more than 40% of GNP originating in agriculture. Whereas Indonesia’s agricultural output increased 3.7% yearly, output in Nigeria declined 1.9% and agricultural exports 7.9% yearly, 1973-1983. From 1983-92, Indonesia’s agricultural output rose 2.8% and farm exports 6.2% annually; Nigeria’s agricultural production grew 4.1% and farm exports fell 2.9% annually over the same period. Furthermore, agricultural imports as a share of total imports rose from 3% in the late 1960s to 17% in the 1980s and 1990s in Nigeria, whereas in Indonesia the share increased only from 1% to 4–5% the same period. The fact that Nigeria’s 2001 agricultural value-added, 30% of GDP, is larger than Indonesia’s 16% reflects Nigeria’s farm weakness, slow growth in productivity.

Several differences in agricultural pricing and investment explain Indonesia’s more favorable agricultural development. The real value of the Nigerian naira appreciated substantially from the early 1970s to the mid-1980s (an estimated 375% overvaluation in 1984), depreciating relative to the dollar only under pressure in 1986, whereas Indonesia’s rupiah’s real value increased more slowly, and depreciated vis-à-vis the dollar starting 1978-83. Moreover, the naira was highly overvalued in the mid- to late 1990s compared to Indonesia’s slight overvaluation at the same time. Additionally, Indonesia invested substantial government funds in agriculture, including a General Rural Credit Program that loaned to rural people at commercial rates, whereas less than 10% of the Nigeria’s capital expenditures was in agriculture. Nigeria’s attempt, beginning in the mid-1980s, to increase incentives and investment in agriculture had little impact (World Bank 1986:72). While FAO (2003:37–38) indicates rapid growth of food-crop agriculture in the late 1990s and early years of the 21st century from reform under civilian government, Nigeria will still require sustained policy changes to reverse years of agricultural neglect.

Suharto and his advisors transformed Indonesia from hyperinflation, pervasive hunger, and unsustainable foreign debt in 1965 to subsequent infrastructure expansion, spurring a Green Revolution in rice. During the two decades after 1966, Indonesia emphasized monetary stabilization and fiscal constraint, opened the capital account, and avoided an overvalued rupiah. However, in the early 1970s, Indonesia’s national oil company, Pertamina, turned the promise of oil wealth into overextension and massive resource misallocation but eventually was rescued by economists who ensured investment in agriculture and universal primary education. Beginning in 1983, in the face of oil’s falling share in GDP, Indonesia's deregulation, privatization, banking and legal reforms, infrastructure development, low protectionism, outward orientation, and equilibrium exchange rates, helped sustain rapid economic growth (Prawiro 1998).

In the 1980s, the commodity terms of trade of Nigeria fell substantially. The more diversified Indonesia economy, with some 35–55 of exports manufactures or nonoil primary products, continued to grow throughout the late 1980s and early 1990s, gradually reducing poverty rates (Nafziger 1988:10; Nafziger 1993:27–28, 67–69). Although many of Nigeria's insecure military or civilian political elites, civil servants, and intermediaries for foreign capital relied on the state's economic levers to build patronage networks to survive, Indonesia enjoyed greater political continuity and policy predictability, and less political intervention in economic policy decisions (Pack 1994:441–451) from the 1960s through the 1990s.

Both countries suffered from corruption. In Indonesia, the Suharto family and their associates dominated the private sector for three decades. In Nigeria, during the 1980s and 1990s, military rulers failed to account for hundreds of millions of dollars of petroleum exports and revenues.[11] Transparency International (2003) rates Indonesia as 96th and Nigeria 101st among 102 ranked countries. Although Indonesia's 1997–98 financial crisis and subsequent political instability underscore the need for fundamental reforms, vested political interests may forestall major changes in economic policies. With its predatory political leadership, uneven wealth distribution, and ethnic and sectarian strife, Nigeria's constraints on policies in the past have been at least as great.

Nigeria's neglect of investment in agriculture and changing exchange rates to maintain competitiveness contributed to economic stagnation and political decay. Ruling elites focusing on regime survival and wealth accumulation feel compelled to expand rent-seeking opportunities that can trigger a vicious circle of stagnation and deadly violence. Moreover, the necessity for survival means choosing personnel for their political support and clientage rather than their consistent and knowledgeable economic policy advice. Claude Ake's view (1996:1, 18) is that for Nigeria and Africa, "the problem is not so much that development has failed as that it was never really on the agenda in the first place. . . .[W]ith independence African leaders were in no position to pursue development; they were too engrossed in the struggle for survival."

18. Conclusion

What are the economic causes of Nigeria's chronic political conflict and repression?

The failed expectations of Nigerians from slow or negative economic growth puts pressure on Nigeria's ruling elites. Rulers can no longer expand rent seeking opportunities without losing support from allies or clients, thus increasing potential

[11]The Pius Okigbo panel that probed the Central Bank of Nigeria reported that $12.4 billion of oil revenues had disappeared beyond budgetary oversight, 1988 to mid-1994 1994b. Economist, "Nigeria's Missing Billions." (October 22): 50. Previous panels investigating corruption have also found billions missing.

instability. Governing Nigeria has become even more difficult as economic regress has contributed to increased poverty amid large income discrepancies.

At least since the late colonial period, regional and ethnic communities have feared domination by other communities. Amid this concern, states and regions have competed for employment, revenues, and licenses, using patrimonialism and ethnic discrimination to distribute economic benefits. Since the 1960s and 1970s, with the commercial exploitation of crude petroleum and the centralization of its revenues, controlling the federal government has become a high-stakes contest within a zero-sum game.

Nigeria has neglected agriculture and exchange-rate policies that would spur non-oil exports and domestic industry. This neglect has increased vulnerability to external shocks, putting additional pressure on government authority and political order. In administering the federal government, Nigeria’s ruling elites have emphasized building patron-client networks and private enrichment rather than institution building and competent economic policy management.

Military centrality or a high proportion of revenues spent on the military has not been a factor in Nigeria’s chronic political instability. However, a long period of military rule, from 1983 to 1999, has contributed to Nigeria’s political decay. Nigeria lacks the economic institutions and governance structures, such as efficient and transparent administration and legislation, enforcement of contracts and property rights, and efficient and nonpartisan civil service. Nigeria will need able leadership to set in motion the economic prerequisites for creating a stable political order.

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