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Oil Revenues and Policy Choice in Nigeria

Henry Bienen

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ABSTRACT

An exceptionally large share of Nigeria's oil windfall was spent on expanding educational facilities and road networks while agriculture in particular received little attention. The nonoil economy was thus warped toward service-biased growth while supply inelasticity of a key consumer good raised inflation and lowered the share of oil rent ultimately (privately) consumed.

This paper analyzes the political and institutional factors which shaped the Nigerian strategy for using oil windfalls. These factors include the weakness of class-based, relative to ethnic, political groups, the nature of the distributional debate in Nigeria and the perceived importance of the "exit" option from agriculture in the process of social mobility. Service-based expansion was not unpredictable. Neither was the strategy undertaken in opposition to popular demand.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Preface

The purpose of this paper is to explore political factors in Nigeria's use of oil revenues and to try to account for governmental objectives through an analysis of political processes and institutions and the interactions of elites and socioeconomic groups during a period of exceptionally great resource availability. The focus is on Nigeria after the sharp rise of oil prices in 1973 and through the period of military rule which ended in October, 1979. The return to civilian rule after thirteen years and the first few years of the civilian regime occurred during a period of fluctuating oil prices. Moreover, after 1979, Nigeria operated with a new Constitution which has meant Presidential rule, changed relations between civilians and military personnel, and an evolving federal system in which the tasks of government as between national and the state level are different from those that obtained during the military peroid. The post-1979 story is therefore somewhat different with respect to the themes elaborated for the 1970's: 1) centralization of authority; 2) the growth of the central state apparatus; 3) and its expanded economic and political roles; 4) the contraction of the agricultural sector; 5) the expansion of services provided by the state; 6) the push to indigenize the Nigerian economy. Post-1979 developments are outlined only in brief.

The Nigerian story is one of very great pressures to deliver services to large numbers of people. Only the government could have done this in Nigeria. The expansion of the government sector was service based, but government also tried to increase human capital especially through education programs. Service based public expansion has had a great influence on the Nigerian economy. It has affected, in particular, sectoral patterns on the supply side. Why was this option chosen to dispose of oil rents? This paper tries to explain the politics of revenue use in Nigeria by describing the specific pressures and constellations of interests that were accommodated or

deflected.

I have received comments on the first draft of this paper from Alan Gelb and Geoffrey Lamb of the World Bank and from Joan Nelson of the Overseas Development Council. I am grateful to them all and especially to Alan Gelb for his support and encouragement for this undertaking, and his incisive reading of various drafts. I have a special debt to my colleague Professor Mark Gersovitz of Princeton University. I have used some of the work that he and I have done on a study of Nigeria, but responsibility for the way that I have used this work is all mine.

CHRONOLOGY OF NIGERIA SINCE 1960

1960	Oct. 1	Independence Day
1962	April 1	First National Development Plan inagurated
	May	State of Emergency in Western Nigeria
1963	Oct. 1	Nigeria becomes a republic
1964	Dec.	General Election crisis
1965	Oct.-Dec.	Crisis deepens after Western Region elections
1966	Jan. 15	Coup d'etat, end of First Republic; assassination of Balewa, Bello, and Akintola; Ironsi regime
	May 24	Federal System abolished in favor of unitary state
	July 29	Second coup d'etat, Gowon regime, assassination of Ironsi
	Sept.-Oct.	Ad Hoc Constitutional Conference
1967	May 27	Abolition of 4 regions in favor of 12 states
	May 30	Eastern Region secedes as 'Biafra', led by Ojukwu
	July 6	Start of civil war
1968-9		Agbekoya riot in Western State
1970	Jan. 12	Surrender of 'Biafra', end of civil war
	April 1	Second National Development Plan inaugurated
	Oct. 1	Gowon announces 9-point plan for return to civilian rule
1971	May	Nigerian National Oil Corporation established
	Aug. 6	Final report of (Adebo) Wages and Salaries and Review Commission
1972	Feb. 23	Nigerian Enterprises Promotion Decree (first indigenization decree)
1973	Jan. 1	Naira currency introduced
	Feb.	Marketing Boards reform announced
	Oct.	OPEC raises oil prices fourfold

1974	Sept. 25	Report of (Udoji) Public Service Review Commission
	Oct. 1	Gowon postpones return to civilian rule
1975	April 1	Third National Development Plan inaugurated
	July 29	Third coup d'etat, Murtala Mohammed regime replaces Gowon
	Oct. 1	Murtala Mohammed announces 5-stage programme for return to civilian rule
	Oct. 18	Inaugural meeting of Constitution Drafting Committee
1976	Feb. 13	Murtala Mohammed assassinated, Obasanjo regime installed
	April	12 States replaced by 19
	Sept.	Programme of universal primary education launched
	Sept. 24	Constitutional Drafting Committee reports
	Sept.-Dec.	Local government reforms
	Oct. 1	Appointment of Federal Electoral Commission
1977	Jan.	Second indigenization decree
	April 1	Marketing boards reconstituted as national boards
	Aug. 31	Elections to Constituent Assembly
	Oct. 6	Constituent Assembly begins sitting
1978	Jan.	Report of (Aboyade) Technical Committee on revenue allocation
	July 14	Reposting of state military governors to military duties
	Aug. 29	Constitution presented to Head of State
	Sept. 21	Constitution promulgated, ban on political parties lifted
1979	Jan.	Further rapid increases in oil prices begin following Iranian revolution
	Feb. 15	Master Plan for new Federal Capital at Abuja presented
	July 7	Elections to the Senate
	July 14	Elections to the House of Representatives
	July 21	Elections to the State Houses of Assembly

	July 23	Elections of state governors
	Aug. 11	Presidential election
	Oct. 1	Withdrawal of the military from government, installation of Shehu Shagari as President, start of Second Republic
1980	June	Report of the Okigbo Commission on Revenue Allocation
	Dec.	Religious violence in Kano
1981	Jan. 1	Start of Fourth National Development Plan
	July	Violence erupts in Kano again with conflict between Governor and Emir of Kano
	Aug.	Nigeria cuts oil prices as sales fall
	Jan.	Steel mill at Aladja is commissioned

This chronology has been adapted from Anthony Kirk-Green and Douglas Rimmer, Nigeria Since 1970, (New York: Holmes and Meier, 1981).

I. The Background

Summary Statement

1) Large increases in oil revenues in the 1970's changed the very rules of the game in Nigeria by providing those who controlled the state with vast new revenues. These revenues could be collected from foreign corporations through rents, royalties and taxes rather than through taxing dispersed agricultural producers via head taxes, income taxes, or the pricing policies of marketing boards.

2) A rise in oil revenues coincided with a period of reconstruction after two military coups in 1966 and a bloody Civil War fought between 1967 and 1970. The Civil War led to the expansion of the armed forces and they remained in control of government when the War ended. The military regime led by General Gowon abolished the Nigerian Federation of four regions and created a system of twelve states in 1967. The creation of states was a response to strong ethnic pressures for representation of people who were neither Hausa-Fulani, Ibo, nor Yoruba. The creation of twelve states, later expanded to nineteen in 1976, worked to further the power of the central government; no longer did large regions confront and block each other as regional leaders jockeyed for national power.

3) Military leaders, in conjunction with the civil service elite that they coopted, were committed to a strong Nigeria and to one where the central government would determine policy goals and implementation. Oil revenues provided Nigeria's military and civil service leaders with the financial resources to undertake new plans. Their policy goals are discussed in II below.

I. The Background

A brief historical analysis is necessary in order to understand the political pressures, institutions, and groups which were consequential in

Nigeria's use of oil revenues in the 1970's. It would be expected that profound shifts in political balances might occur in a society in which the mineral sector's share of GDP went from around 1% in 1960 to above 27% in 1977 and then to remain above 25% in 1979; where petroleum exports were well over 90 percent of total exports in 1979 whereas petroleum extraction began only in 1958. Oil exports rose quickly after 1964 and by then accounted for one-third of exports. Oil exports accounted for at least four-fifths of total government revenue in the years after 1973-74.[1]

Large new oil revenues not only provided government with the financial resources to undertake new programs and projects and to expand oil programs, but they affected the very institutions which were to make policy and the nature of centralization of authority and decision making in Nigeria.

The Nigeria that benefitted from new oil revenues in 1973 had already undergone major changes in its political system since independence in 1960. Electoral politics had preceeded formal independence as elections were held for the Federal House of Representatives and for regional parliaments in the 1950's. A dominant party had emerged in each of Nigeria's three and then four regions. The North, East and Western Regions were dominated respectively by Hausa-Fulani, Ibo, and Yoruba leadership although only the Western Region was homogenous by ethnic-language group. Indeed, about half of Nigeria's population was neither Hausa-Fulani, Ibo, nor Yoruba.

By 1965, ethnic tensions between the regions were great. Electoral politics broke down over the 1963 census, and over ethnic-regional conflict which involved struggle over appointments to civil service and military positions, over investment in infrastructure, plants, and social services in different parts of the Federation, over revenue allocation formulas between the federal government and the regions, and over the intervention of northern power into

the Western Region. Part of the constitutional and political bargain that had been struck between the regions and the large ethnic groups that dominated them was agreement that each region would abstain from political intervention in the affairs of the others. Factionalism among the Yoruba in the Western Region created openings for the national government, dominated by the north, to influence factional outcomes in the Western Region.[2] By late 1965, Nigeria's politics was increasingly violent. Peaceful elections could not be carried out everywhere in the Federation.

Nigeria's first military coup occurred in January 1966. This coup widely was perceived as an Ibo sponsored coup, although its originators were largely officers who were not ethnically motivated but who were interested in freeing Nigeria from what they understood to be the thrall of ethnic strife and corruption. The first coup was followed some six months later by a second coup, dominated by northern and Middle Belt officers and noncommissioned officers. During the period between the two coups, ethnic violence had broken out against Ibos in northern and western cities. Following the second coup, and the breakdown of negotiations between military leaders representing the center and the regions, Nigeria's Ibo area constituting itself as the Republic of Biafra, tried to secede. A civil war was fought, with perhaps the loss of life from famine, battle, and disease of two million people. The Nigerian Federation was preserved and Biafra surrendered in early 1970.

Oil had been relevant to the onset of the Civil War. The governments of the Northern and Western Regions had favored the principle of derivation prior to 1960 when groundnuts and cocoa were the major sources of export revenue. But when petroleum was found in the east and the delta areas of what became the Midwestern Region, the Northern and Western Regions reversed their

arguments and the Eastern Region became the proponent of derivation as a major component of a revenue allocation formula.[3]

But the revenue allocation changes that became effective in 1966, while giving more to the regions at the expense of federally retained revenue, worked to the disadvantage of the East. The Eastern Region hoped that secession would give it control of oil revenues and make financially secure a relatively poor part of Nigeria, a part that had exported educated people to Lagos and people to the North as traders and civil servants. The achilles heel of the Eastern Region, however, was that onshore oil and oil facilities were not in areas that were indigenous to Ibo speaking people. And while the towns of Port Harcourt and Bonny, which had grown with oil, had large numbers of Ibo speakers, Biafra lost control of its ports and oil facilities early in the War. Ibos fled those cities. Foreign corporations who had either put funds into escrow accounts or even had paid some revenues into the Eastern Region's accounts, now paid into the federal government's accounts. The East was starved of funds, blockaded, and eventually literally starved of foodstuffs.

Early in the Civil War, the military government replaced the four regions with twelve states. This was aimed at achieving the support of minorities peoples in the northern and southeastern parts of Nigeria who wanted to be free from the domination of large ethnic groups. The military government, cutting the gordian knot which the civilians had been unable to do, also set the stage for a centralization of government in Nigeria by expanding the number of states, which diluted regional power. While the Civil War caused the output of oil to decline in 1967 and 1968, by 1969 output had gone from the 1966 figure of 152.4 million barrels per year to 197.2 mby. By 1973, output was up to 750.4 million barrels per year and the average export price of oil was $4.80 per barrel. One year later oil production was at 823.3 mby and the price was

$14.69 per barrel. The military government now also had a vast increase in revenues.

Oil revenues, together with the creation of more states, worked to further the centralization of decision making, reinforcing the commitment of the military government. The military had been made extremely conscious of Nigeria's fragility and its vulnerability to outside powers during the Civil War. For defense and national security purposes, it was committed to a Federal Republic which would not be a collection of large regions. While certain military leaders had considered secession (and by no means all of those were Ibos), after the War, the military was a centralizing force. Its own chain of command and its hierarchical procedures accentuated its commitments to centralization. In this, the military was joined by its civil service partners to whom much power was delegated for policy formulation and articulation as well as implementation at national and state levels.

By the time that Biafra was defeated, the Nigerian military had expanded rapidly from an army of around 10,000 in 1966 to over 200,000 in 1970. The ethnic composition of this military had altered too. About 20% were Yoruba whereas in 1966 relatively few soldiers, apart from some officers, were Yoruba. Technical officers, such as signal corp and logistics personnel had been largely Ibos and they were out of the Nigerian army. A significant number of high level officers, like General Yakubu Gowon, the military Head of State, were from smaller ethnic groups in the Middle Belt areas between the north and south. Most of these officers were not individuals with deep associations with the banned political parties. Nor were they people whose policy views were established and well known. This large army was to be an important claimant for resources and its leaders were to make critical decisions about the use of new oil revenues.

Of course, the military did not rule Nigeria by itself, anymore than armed forces alone ruled most African states. Even with its expanded size, the military did not often reach down to the grass roots. It continued to rely on federal and state civil servants who were in place from the civilian regime for both policy formulation and implementation. Officers did not want to get deeply involved in representative politics; nor did they feel competent to exclusively dominate policy discussions on economic issues although they had the final say on decisions brought to them by civil servants. The civil servants' own roles and power expanded. And some civilian politicians from the old parties were brought back into executive positions after 1967 at both federal and state levels in order to link the military to the populace.

Officers and civil servants had a number of things in common. Their own power and status increased with the expansion of state and parastatal organiztions. Their sense of corporate and professional well-being was and is tied up with the expansion of state power. Thus, the first order of motivation of civil service and military rulers in Nigeria stemmed from the identity of public officials' interests and the expansion of the state. Control of the economy was to be a major aim of the military government. The increase in oil revenues led military and civil service to believe that growth objectives and their concern for an independent economy, that is, one controlled by Nigerians, could be pursued at the same time.

The history of independent Nigeria had been one in which regions and ethnic groups struggled for shares of national revenue obtained first from sale of commodity exports, especially groundnuts and cocoa, and then from small but growing oil sales. Each major group had its own elite. Vertical stratification was more important than that based on individual wealth, occupation or class. Major controversies also occurred over the siting of cement plants, refineries,

and other major industrial or infrastructural investments. No civilian government had been able to successfully deal with the demands for new states by ethnic minorities; nor had any civilian government been able to get consensus around a formula for distributing revenues accrued at the center. The military's response was to create more states, strengthen control over revenue and resource dispersal and use of the large new revenues to further growth objectives.

II. Policy Goals

Summary Statement

Between 1966 and 1976, Nigeria was led by four military leaders. General A. Ironsi inherited the first coup of 1966, but he was assassinated in July, 1966 and General Y. Gowon remained the Head of State until July, 1975 when he was replaced by General Murtala Mohammed. General Mohammed was assassinated in an aborted coup in February, 1976. His second in command, General O. Obasanjo succeeded him and remained in power until a new civilian regime came into existence in late 1979.

During the thirteen years of military government, three major economic plan documents were put forward: The Guideposts for the Second National Plan were published in June, 1966. In 1970, after a long delay, the Second National Development Plan was actually promulgated. In April, 1975, the Third National Development Plan was inagurated. During these years, major commission reports articulated economic policy. And, of course, actual government policy sometimes departed from plan and commission goals and policies.

In this section, and in the analysis which follows in other sections, I argue that Nigeria's military and civilian leaders aimed at high overall growth rates. They were also committed to indigenize the Nigerian economy but they did so in a way so as not to threaten Nigeria's growth. While every plan document included statements about the need to bring about a just and egalitarian society,

and while increasing priority was given in succeeding plans to income distribution concerns, no Nigerian military government attempted a radical or even an important redistribution of income. There was no intended direct assault on equity problems. Equity issues continued to be perceived by leaders largely in terms of inter-state, inter-ethnic group and rural-urban distinctions and not in terms of class or income group differences. In the rural areas, policy goals were to expand educational opportunities and transportation rather than to emphasize direct investment in agricultural production. This implied a set of policies strongly biased toward the service sector. As will be shown, this set of priorities appears to have accorded well with the desires of the Nigerian populace.

During the 1970's, the federal government took on unprecedently larger responsibilities for defining goals and for spending to implement them. Significant federal spending was in the form of allocation to the states; the federal government's direct responsibilities also expanded massively.

II. Policy Goals

The macro and micro economic policies that were intended in Nigeria have been spelled out in a series of five year plans and in the descriptions of economists.[4] The sectoral characteristics of Nigeria and its pattern of public expenditures have been analyzed, sometimes, in the comparative perspective of other capital importing oil exporters by the World Bank and others.[5] Thus I want to spend as little time as possible redescribing public expenditures and to try to account for the patterns. A brief account of the stated policy goals of Nigerian governments is necessary, however.

Nigeria had been receiving increasing prices for its oil between 1971 and 1973 but in October 1973 the price per barrel was about $3.00 and the rise had been about 22 percent. By April, 1974, the price was above $11.00 per barrel

and oil production had risen from less than 2 million barrels per day to 2.34 bpd in mid-1974. Nigerian government oil revenues almost quintupled in nine months, the rise coming from higher prices, greater production, and an increase in the government's share of the oil revenues from higher taxes and royalties and ownership.[6] Thus the Nigerian government had in mid-1974 much larger revenues than it had anticipated and a very large surplus in 1974-75. The overall surplus in the balance of payments went up about twenty times from the small naira 153 million that had existed in 1973. Nigeria had vast new revenues to accomplish social, political and economic objectives. What were those objectives?

Growth

The first major statement on economic policy by a Nigerian military regime was made prior to the second coup of July, 1966. In June, 1966 the Guidelines for the Second National Development Plan was published. The main objectives of the Second Plan period were stated to be a high overall rate of economic growth, rapid industrialization of the economy, increased production of food for domestic consumption without relaxing efforts in the export sector, and a drastic reduction in the unemployment problem. Other objectives included increased diversification of the economy, a more equitable distribution of incomes among persons, and maintenance of a reasonable measure of stability through use of appropriate instruments of policy. The Guidelines made clear that growth was the priority, should the goals prove inconsistent. This emphasis on growth as the prime goal was to continue through the 1970's.

Because the Civil War raged between 1967 and 1970, the tasks of government were prosecution of the War and then reconstruction of the country. War damage was significant in the Old Eastern Region of Nigeria where many

towns were badly damaged. But neither Nigeria's small industrial base nor its oil industry had been hurt in a major way. When the Second Five Year Plan itself was developed for 1970-1974, it was in a context of economic optimism, even before the oil boom had really become pronounced.

The Second Plan called for avoiding uncertainty and instability, and for building on national unity after the war and on the economic base provided by oil. Plans for growth were ambitious. While the goals of the Second Plan included "a just and egalitarian society" and a "land of bright and full opportunities for all citizens," its real thrust was to implement economic growth and nationalism although, in practice, there were many compromises with foreign interests in this period.

Indigenization

Perhaps the most striking goal of the Nigerian military government of the mid-1970's was indigenization of the economy. There was heated debate within the government and outside it about the meaning of indigenization and how it was to be carried out.

While Nigeria's indigenization decrees were put forward by the Gowon and Obasanjo military regimes in 1972 and 1977, there had been a long history of indigenization pressures predating the military regime and even predating Nigeria's independence.[7]

Nigerians had long been conscious of foreigners' presence in their economy. The Tax Relief Act of 1958 required transnational corporations seeking "pioneer" company status to increase Nigerian ownership and personnel and to use Nigerian materials. Immigration laws established quotas for expatriates in order to increase Nigerian managerial participation.

In the petroleum sector specifically, Nigeria had been following Venezuela's and then the Arab countries' pressures on foreign oil companies. In 1959, through the Petroleum Profits Tax Ordinance, the government had instituted a 50-50 profit sharing arrangement with foreign concerns. In 1966, government reduced the rate at which companies were allowed to depreciate capitalized investment by one half. In 1967, OPEC terms were imposed in Nigeria. In 1969, a Petroleum Decree established the state's option to own shares in commercial oil operations. In 1971, the Nigerian National Oil Company (NNOC) was created and between 1972-75, in accordance with other indigenization measures, government increased its share of ownership and altered terms of compensation and buy back arrangements in its favor.[8] The initial terms of the NNOC participation in foreign companies up to 1974 has been estimated at 1.3 billion dollars cost to Nigeria; receipts to government from oil revenues and NNOC's shares and revenues from royalties were more than a multiple of ten over that cost.[9] In terms of direct revenue use, indigenization was not costly.

The First Plan (1962-68) and the Second Plan (1970-74) had stressed increased national control over the economy. It was, however, the Nigerian Enterprise Promotion Decree of 1972 which set out broad objectives and means to increase Nigerian control of the economy. This Decree meant different things to different actors in Nigeria. During the late 1960's and early 1970's, Nigerian planners were committed to acquiring and controlling productive assets, especially strategic national resources. This was to be done by the government alone or in partnership with private concerns. Nigerian planners, military officials, and high level civil servants were well aware of the inefficiency and corruption of Nigerian statutory corporations and state owned companies. Nonetheless, they pushed ahead for control of the oil sector and

other mining areas. The Decree, promulgated in 1972, came before the first large oil price increases and itself was a continuation, not the start, of measures to control and Nigerianize the economy.

From the point of view of military and civil service policy makers, indigenization was designed to increase Nigeria's control over its own resources and to expand the state sector. It was not intended as a mere handing over of foreign owned equity to the private sector. At the same time, the military regime was not completely unresponsive to pressures from Nigerian private businessmen.[10] Civil servants and military officers had business connections. Moreover, while some civil servants and military officers wanted to move ahead and nationalize large sectors of the Nigerian economy, most, including those in the highest positions, were committed to maintaining the private sector as an important actor.

Nigerian private businessmen, for their part, have been much more interested in participation and in windfall profits than in control over foreign enterprises. Yet both those in the state sector and private businessmen have shared the goal of growth and they have been cautious in the indigenization programs. Officers and civil servants have been conscious that Nigeria continues to have severe lacks in required technical and managerial skills. Nigerian governments have never been willing to cripple the economy, as Uganda under Idi Amin did with explusion of Asians or as Zaire did for a time when the government handed over foreign businesses to Zairians and also tried to run large mining firms and market their output through state enterprises, all with disastrous effects. Nor have Nigerian businesses pressed for complete indigenization; they have been conscious that their own profits would be harmed by a too rapid Nigerianization of the economy.

Thus Nigerian indigenization has been phased, relatively slow in implementation, and government has adjusted measures from time to time. True, once indigenous businesses received a protected position in commercial and low technology activities through the first, 1972 Decree, they pressured for an extension of the Decree and a larger share of foreign enterprises.[11] But businessmen who had been left out of the 1972 Decree or men who were newly come to prospects after the start of the oil boom wanted a share of the proceeds more than they wanted control, while control was the goal of state officials, both civil and military. Indeed, the growth of the state sector left some businessmen nervous. For while individuals could play a middleman role between parastatals and foreign enterprises, many wanted the state to limit its reach in order to provide more scope for their own equity participation.

More generally, the Nigerian governments of the 1970's wanted growth through partnership with private investors. Nigerian governments did not attack Nigerian private capitalists. Some have argued that the indigenization program itself was designed to lessen private investment in the economy and to begin to socialize wealth. The framers of the indigenization policies have denied this. Nor is there any evidence in the various plans that a far-reaching socialization of Nigeria was intended through direct nationalization.[12] If anything, the military governments wanted to expand both the public and private sectors. Indigenization would help accomplish both goals. The military regimes did not see the public and private sectors as two arms of a balance, going up and down at each others' expense.

The military governments did claim to want to broaden the social base of capital ownership in the economy, to reduce the high degree of concentration of stock shareholding, and to enable more Nigerians to share in the increasing profits being generated. The means to achieve these goals were said to be a

new national leadership that would be honest and dedicated, and an investment policy that would be consistent with national goals.

Distribution

While the Second Plan stated an increased emphasis on the welfare of the common man and on a more equitable income distribution, and successive plans and policy statements gave priority to a better income distribution, there was no intended direct assault on equity problems either by mobilizing popular participation from below or by implementing radical changes from above. Such an assault would have been difficult to mount in Nigeria given the conditions of economic and political life. Government did not face a landed aristocracy whose land it could expropriate throughout the country. Government was not willing to take over the private businesses that did exist in trade and industry and to risk a sharp fall in growth.

The role that Nigerian military and civil service leaders and technical planners saw for government was one where government would guide investment through incentives and where the government would increase the services it was delivering. The aim was to increase welfare through service expansion and better delivery. Government would help create more entrepreneurial know-how, and indigenization would expand opportunities. The responsibility of the private sector was to develop better habits of saving and thrift so as to raise economic levels in the country.[13]

Even when General Gowon was replaced by General Mohammed in 1975, and the latter employed a rhetoric of populism and stressed the need for a more equitable distribution of welfare, he also embraced the Third National Development Plan. The Third Plan lists as its goals: 1) an increase in per capita income; 2) a more even distribution of income; 3) reduction of

unemployment; 4) an increase in the supply of high-level manpower; 5) diversification of the economy; 6) balanced development; 7) indigenization of economic activity. Depending on what part of the Third Plan one reads, the conclusion could be drawn that growth was the most important consideration or that the highest priority was to effect a more equitable distribution of income or that control of inflation was most critical.[14]

The concern for price stability and for controlling inflation was a function of new developments in the Nigerian economy. As we shall see, the oil boom after 1973 helped fuel a rapid rise in prices. With an inelastic food supply and imports limited by erratic trade policy and problems in ports, transportation, and storage, prices rose rapidly. I will return to the mechanics of the inflation issue below. Here I want to add that trade unions, while still relatively weak, were growing in power in the 1970's. The government's own spending policies which were expanding services and infrastructure, but not increasing production in the short run, were also putting pressure on prices to move upwards. Thus price stability was becoming a major issue throughout the country but especially in the rapidly growing urban areas.

We will continue to be concerned with policy goals as we analyze the political and economic pressures working in on policy makers and their own concerns. Here I want to emphasize two critical components of overall goals: 1) the strategy for income distribution; and 2) policies towards agriculture.

Income Distribution: Ethnic and Regional Concerns

The strategy to be adopted in the 1970's with respect to income distribution was for the public sector to provide subsidized facilities for the poorer sections of the population; these were to include electrification, water supplies, health services, cooperatives, and community development

programs in the rural areas, and housing in the urban areas. The government felt that these programs would directly raise the level of living of the poorer classes and constitute a more practical means of income redistribution than other, more direct, measures. The government stated its intention to continue to use fiscal measures of progressive income taxation to reduce existing inequalities in the distribution of income but taxation was not considered a primary tool. Universal free primary education was probably the major policy seen to bring about equal opportunities.[15]

The Third Plan articulated a strategy for internalizing rapid growth of the oil sector by using the increases from oil revenues. The strategy that was actually adopted was to try to create an infrastructure for self-sustaining growth and to directly deliver welfare benefits. The Third Plan period represented continuity with the Second; there was to be no direct assault on equity problems. The extent of service delivery was to be much greater since larger revenues existed. Indeed, neither the earlier and continuing indigenization programs nor the new direct spending increases in the Third Plan period should be seen as an attempt to restructure the internal economy beyond shifting control of some sectors from foreign to domestic hands.

The government had political space for its revenue programs and its overall economic strategies. I will argue below that the most pressing interest groups were the elites of the state themselves -- military and civil service personnel. Major competition over revenue allocation was between ethnic and geographically based groups, not between class interests or occupational categories.[16] Nigerians had struggled both before and after independence over revenue allocation formulas. While the distribution of income among households or factors of production might be intractable to policy, the allocation of revenue among constituent parts of the Federation was not. Nigeria had operated

with various formulas established by revenue allocation commissions from the 1940's on. (The Okigbo Commission on Revenue Allocation convened by the military government to propose a new revenue formula to obtain under civilian rule was the eighth since 1946.) The components of the formulas were population, regions, and later, states per se, needs, ability to use funds, and derivation. Oil, of course, raised the stakes over particular formulas for revenue allocation between the states and between the federal government and the states.

Revenue allocation goes to the heart of the federal system's stability. It also affects what the states can do on their own. While there are Central Bank restrictions on the ability to borrow abroad, and while states are not supposed to freelance on attracting investments and trade from abroad, state governments have shown much initiative on these matters both under civilian and military regimes. At present, the federal government will guarantee loans only for those states that in the government's judgement can pay, yet some states have been borrowing externally without government approval.

Revenue allocation formulas are crucial to allocative patterns in Nigeria because states and the federal government may well have different responsibilities and priorities and states differ among themselves on their priorities. Political pressures vary from state to state and the nature of civilian power is variable with regard to constituency base, ethnic, and social groups. The per capita spending levels in each state have varied and still vary enormously.

Indeed, almost all observers of Nigeria agree that interregional income differentials have been more important than interpersonal ones and that income differentials per se have been less contentious in Nigerian political life than disparities in endowments of schools, roads, health services, and the like. Regional inequality in income per capita has been low, relative to most other regional

disparities measured. Creating states and altering the formula for distributing federal revenues led to benefits and losses for particular ethnic groups. For example, in the early 1970's many high civil servants and military officers would have been glad to get rid of derivation of oil revenues as a factor in allocating funds. The oil producing states resisted this. Indeed, here the oil states, Rivers and Bendel especially, which were small population states with non-Hausa, non-Ibo and non-Yoruba majorities, broke ranks with the military government. Nonetheless, in 1970 the distributable pool of revenues to go to states without concern for derivation was enlarged by increasing the proportion of mining royalties paid into it and adding shares of the proceeds from export duties and some excises. Also in 1970, allocation of federal loans to states was done on the basis of half according to population and half shared equally among states. This formula gave added inducement to the creation of more states. One year later, royalties from the extraction of offshore oil were claimed by the federal government for its own retention.

Under the Nigerian federal system, some responsibilities have been federal only, some have been concurrent, and some have been vested only in the states. These responsibilities have changed over time and not always by constitutional alteration. Thus, even without the constitutional changes that took place at the end of 1979, the relationship of the states to the federal government altered during the 1970's. As noted, the number of states expanded from four regions to twelve states in 1967 and then nineteen in 1976. The federal government during this period increasingly took over the marketing board functions of the states; the states' taxing powers were limited and as Tables 1 and 2 make clear, the federal government's allocations to the states became an ever larger share of their spending. Table 2 shows also that loans and non-statutory allocations became important to the states after 1976.

Federal lending to the states went up well over 1000 percent between 1969 and 1977 and federal development spending in the states also rose remarkably from 91.6 million naira to above five billion naira during this period.

However, while the states employ about twice as many civil servants as the federal government, state administration is often very weak. Control over state budgeting is not strong; revenue collection is often inefficient. While we do not have much data on detailed state spending activities, there is good reason to suspect that the states have been at least as responsive to popular wishes as the federal government in their spending patterns but have been less financially responsible in their overall budget and revenue processes. (For state revenue and spending see Table 1. For federal spending see Table 2.)

The spending responsibilities of the states changed over time too. When the massive Universal Primary Education system was launched in 1976-77, the federal government funded it. It was estimated that it could cost the federal government ₦ 17 million by 1982. By 1978 it was already costing four times that amount. Demand for education proved to be larger than estimated. Primary education enrollment went from 3.5 million in 1970 to 9.5 at the start of UPE in 1976 and leapt to 13 million by 1980. However, with the advent of civilian government constitutional responsibility for primary education was vested in local governments. Thus for the 1981-85 Fourth Plan period, unlike the Third Five Year Plan period, there were no projects for primary education to be funded at the national level.

Of course, politicians and civil servants, businessmen and university personnel all have their vested interests in the creation of states. Not only was statehood an element in the formula for distributing revenues to population groups, but creating new state capitals meant investment in services and infrastructure. New universities were created; new state civil services had to be

staffed. The creation of states spoke to the expressed needs of the elite who are defined in both status and ethnic terms, while it also diluted the power of large ethnic groups.

None of the above is meant to argue that income distinctions have not been important in Nigeria. I am arguing that the perception of distinctions and the formulation of political issues have been more in terms of inter-state, inter-ethnic, and federal-state relations than in terms of class relationships. There is no doubt that equity issues had a greater salience after General Mohammed came to power in 1975. But there was not strong pressure from below to move the system to deal frontally with equity issues -- either conceived as rural-urban distribution or in class terms.

The Third Five Year Plan published in 1975 had emphasized not only an increase in income but a more even distribution. It stressed that delivery of welfare through subsidized public services would be a primary mechanism for bringing about more even distribution. The Guidelines to the Third Plan, published in September, 1973, argued that a community of 20,000 was the size above which basic amenities should be delivered. While reduction in disparities between rural and urban areas was an aspect of balanced development, it was one not easily reconciled with the desire to use social services and public utilities for the relief of poverty when delivery of those services and utilities was to go to communities above 20,000. There could be no rapid and frontal assault on rural-urban imbalances with these provisions as criteria for service delivery.

We will explore what government did in agriculture in the 1970's and why it did so. Government's spending on agriculture in the 1970's, despite the talk about campaigns such as Operation Feed the Nation and other so-called crash programs in agriculture, has not been significant. Government claimed

that it wanted to reduce the disparities in rural and urban incomes in order to have balanced development and to increase the welfare of rural inhabitants. But since the policy choices were to relieve poverty through social service expansion and through increase in access to public utilities, no impact would be easy to make in the rural areas where service delivery was more difficult and more expensive. More attention was given to urban poverty through massive intervention by the federal government in the urban housing market via construction of housing for low income groups than was given to rural areas through the provision of overhead capital to smaller communities or through direct investment in agriculture. Insofar as large inputs went to the rural areas, they arrived through primary education expansion and transportation investments. This was not irrational given the administrative and political problems faced by the Nigerian government and even given the preference of many rural inhabitants for investments in education so as to allow them to "exit." Many Nigerians were migrating out of rural areas and saw their future in the urban areas. What many wanted was education and skills which would allow them to compete in labor markets outside of agriculture. Thus in rural areas expenditures on education have been popular although there are widespread concerns about the quality of the education that is provided. The public, teachers, and politicians have all pressured for more funds to be spent on education. The size of tuition and fees for secondary schools has been an important issue in Nigerian politics. The proliferation of states had led to strong pressures to have a university in each state. Technical colleges were upgraded to university status. By the time of the 1981 budget, the planned capital expenditure for the universities for the five year plan period was ₦ 1.25 billion which was more than the capital allocation to other educational levels combined and amounted to over half of the capital allocation for education. In sum, more effective pressure groups have

existed for education than for agriculture in Nigeria.

III. The Pattern of Expenditures in Nigeria

Summary Statement

Government received large new revenues after 1973. Federal, and particularly state governments, had low planning and administrative capacities to spend revenues in both a rapid and systematic way. Government invested its revenues at home rather than abroad. Revenues were accrued at the center through oil sales and taxes and rents on oil companies. The federal government increased its support to the states who became dependent on it for their revenues. Federal spending itself neglected agriculture and emphasized education, especially in the mid-1970's. On the capital spending side, large investments were made in transportation and communication in the 1970's. During the late 1970's, new and nontraditional commitments were made to invest in a new capital for Nigeria and to build an iron and steel complex.

III. The Pattern of Expenditures in Nigeria

It is important to recognize that spending targets in Nigeria were often established without systematic analysis of the relationship of goals to each other. Individuals who participated in the planning process, both expatriates and Nigerians, have described how as money started to flow in, spending on education or on transportation was increased without a careful analysis of the impact of spending on inflation or of the public sector's capacity to implement the targets.[17] True, planners realized that there might well be problems in executive capacity and administrative implementation for achieving spending levels set by The Guidelines to the Third Plan, published in 1973 even before the huge surge in oil revenues that occurred in 1974. The Guidelines stipulated that there would be a ₦ 10.7 billion total investment during the 1975-80 Plan

period. The public sector was to account for about 40%. In March, 1975, the Third Plan, promulgated by General Gowon after the surge in oil revenues, projected total investment at ₦ 30 billion, in which the public sector share, allowing for "slippages" resulting from executive capacity, would be about two-thirds of investment.[18] A revision in 1976 increased the public sector spending for investment to ₦ 26.5 billion.[19]

The spirit at the top of the Nigerian government was expansive. Government felt that it had the resources both to increase present welfare and to lay the groundwork for a modern and powerful Nigeria. The Third Plan noted that oil was a wasting asset and thus that productive capacity of the non-oil economy had to be developed. Yet political pressures to spend money rapidly were very intense. The Gowon regime had determined not to move quickly back to civilian rule. It tried to build support by investing rapidly and by handing out wage increases to public sector employees. The large new oil revenues were therefore funneled disproportionately to the urban sector where political pressures were strongest and where government could give money out quickly.

The data tells a consistent story:

1) There was an extremely rapid rise of the federal government's outlays and a huge jump from 1973-1975 (Table 2); 2) There was a large increase in central government allocations and loans made to the states (Table 2). The increase in loans even precedes the rise in oil revenues. The states become ever more dependent on federal allocations; 3) The bulk of oil revenues were saved and invested domestically and government investment rose very rapidly as a share of total investment from 1973/74 - 1977/78 (Tables 3-4); 4) Government recurrent expenditure for education rose tremendously. By 1976-77 when Universal Primary Education programs were in swing, education was the largest single item in the recurrent budget, although education's share was to decline thereafter

(Table 5). Nonstatutory transfers were largely for education. Defense spending declined after the Civil War in percentage terms of recurrent budget (Table 6) but continued to increase absolutely in capital expenditures, although not as a share of total government capital expenditures (Tables 7-8). Defense spending shifted to barracks building and new weapons and the army slowly was pared down in size; 6) Transportation and communication continued to be very large items in the capital budgets throughout the oil boom period and agriculture continued to have a small and even a declining share of total federal government spending in the mid-1970's (Tables 6-8); 7) Not only was agriculture budgeted for relatively small amounts, but from 1975-1978 agriculture had consistent shortfalls in actual investments compared to the Third Plan's allocations for it (Table 9); 8) Despite the fact that General Mohammed raised producers' prices for agricultural commodities when he came to power in 1975 (Table 10), agricultural production lagged severely (Table 11) and we see a real growth in agriculture of about two percent per annum (Table 12) which is accounted for by additional land and labor inputs into agriculture; 10) With agricultural production not expanding rapidly enough to meet rising demand, food prices rose rapidly (Table 13). Indeed, the official prices for foodstuffs understate the rises. Government continued to complain about black market prices for foodstuffs in urban areas. Imports were liberalized to prevent even higher prices. Wheat and flour imports grew from 400,000 tons in 1975 to 1.3 million tons in 1978 while rice imports, spurred on by progressive tariff reductions, grew even faster from 1974-1978. (See Figure 1.) Infrastructural and marketing bottlenecks limited the ability to use imported food to hold down costs, however. Food prices increased more than those of non-food items between 1973 and 1978. (See Table 13, The Consumer Price Index.) Nigeria's highly elastic demand for food, stagnant domestic supply, and marketing difficulties all exerted upwards pressure on food prices; 11) With large wage rises given through the Udoji wage recommendations

of 1974 and constant pressures for wage increases in the urban areas, and with inelastic supply and policies and bottlenecks which restricted imports, Nigeria had significant inflationary problems (Table 14); 12) Government was able to finance the control of the petroleum industry and the establishment of a Nigerian National Oil Company (later renamed and reorganized as the Nigerian National Petroleum Company) by increasing its share of the oil take. Furthermore, large new revenues made it possible for government to embark on some nationalizations and on a broader indigenization program while being able to compensate foreign enterprises; 13) By 1974-1975 the military government had determined to build a new Federal capital at Abuja, near the middle of the country. There was no provision in the Third Plan for costs.[20] In June, 1977, the Federal Capital Development Authority commissioned a Master Plan for the new Federal Capital City. When this Plan was published, again, no cost figures were included.[21] However, technical and special reports on the new capital did include planners' estimates of costs. It was recognized that substantial demands would be placed on Nigeria's resources. The direct capital costs were estimated to be between 10.2 and 14.7 billion naira, distributed over a twenty year period, with a likely cost of about ₦ 12 billion chosen.[22] The military leaders themselves pushed for a new capital and in the mid-1970's believed that they did not face strong financial constraints; 14) Finally, in a spirit of determination to make Nigeria a regional if not a world power, and with expectations for continued buoyant oil revenues, the military regime committed the country to two steel complexes and three rolling mills. The commitment to go ahead with an integrated iron and steel industry after a number of feasibility studies indicated it was not an economical proposition was based on the desire to be "self-reliant" and was, like Abuja, a result of the possibilities opened up for Nigeria's leaders by oil revenues. The budgetary impacts of these new

commitments were to be felt by the end of the 1970's and early 1980's.

We must put a little more meat on the bones of this story. Why did the patterns of public spending unfold as they did?

IV. Accounting for the Patterns

Summary Statement

Military and civilian leaders have had political space in which to formulate policies. Nigeria's social system is perceived still as an open one and in fact there is little downward mobility in the country. Nigeria is characterized by the persistence of an ethnic-based politics and a weakness of class-based parties and other organizations. Control of the institutions of the state remains a critical resource for elites. The inclinations and interests of civil servants and military officers were reflected in priorities and policies. For example, state officials pushed hard for increases in public sector wages after 1974.

Along with being responsive to its immediate public sector constituency, high level leaders in Nigeria were eager to spend oil revenues rapidly. Public sector wage increases were one way to do this; large investments in education and transportation and construction were other ways. By 1975-76, expenditures reached more than six times the pre-oil boom of three years previously.

The rate of inflation in Nigeria soared. Domestic food supplies were less elastic than anticipated by government. While food imports rose, ports and transport grids were sluggish. Government tried to restrict imports for external balance of payments reasons, especially after 1976. Its expenditure and monetary policies continued to be expansionary however, and public sector surpluses speedily changed into deficits financed by domestic money creation and foreign borrowing.

The impact of oil revenues was to worsen income distribution through both first and second order effects. Government focussed on incomes within the urban sectors for political reasons as well as for reasons of economic strategy.

IV. Accounting for the Patterns

So far, we have seen that government investment grew at a much higher rate than Government consumption, private consumption and investment (Table 3). The concern of Nigeria's rulers in the 1970's was to expand, grow, and to indigenize the economy. Even with massive new oil revenues, Nigeria remained a very poor country in terms of per capita income. Its infrastructure was underdeveloped and in terms of education and life expectancy it ranked far below the norm for countries at its income level. Investments in transport and education could easily be justified. Oil provided an opportunity for getting control over the economy and for trying to establish new growth patterns. Nigeria's leaders did not face tremendous pressures from below to redistribute income. Politically, Nigeria's rulers knew that people cared more about raising standards of living than they did about making relative comparisons across individuals. This recognition and the reality of the weakness of class based politics gave leaders a great deal of political space.

Class and Ethnicity

There has been no clear development of a class-based politics in Nigeria. Neither peasant organizations nor trade unions in the industrial sector have been strong organizations pushing for redistribution of income. Nor have people in the urban informal sector constituted a force for effective radical change. The relationships between workers in the formal and informal sectors are complicated and variable by city, region, and ethnic community and work to weaken pressures from the urban poor.

It is very hard to speak generally about relationships between class and ethnicity in Nigeria and it would be misleading to generalize the salience of class and ethnic issues over time and place in Nigeria. The very meaning of wealth and equity vary within and between communal and occupational groups. Per capita income figures alone do not capture the reality and the roles of groups, families, and ethnic communities.

What emerges from microstudies of workers in Nigeria is that there is a great deal of variation in the relationship of ethnicity to class and in the development of class consciousness. The variables that appear explanatory include the specific issue of protest, the structures available through which people compete, the homogeneity or heterogeneity in ethnic terms of the labor force and place of residence. That is, the kind of city, pattern of migration, place where industrial work force is recruited from and its relationship both to rural areas and to the informal sector all are significant factors.

So far, it has been difficult to see the development of strong national industrial working class organizations. Nor did parties emerge in the 1950's or 1960's or in the 1979 elections which organized on the basis of class interests or occupational categories. Survey data helps to explain why this pattern has not yet developed. Morrison, analyzing a national survey of Nigerian adults carried out in 1974, argues that while the objective reality in Nigeria may be a slowing of social and occupational mobility, the openness of Nigeria's social mobility is still assumed by respondents. However, there are marked and pervasive variations in perceptions of inequality among those residing in different states (and residence in a state is correlated with ethnic membership) as well as in the reality of those perceptions. There is an association between residence in a state and responses to views as to whether most people get a fair share in life or whether ordinary people are better off since independence. At the

same time, there is little downward mobility in Nigeria and there is a strong positive relationship between status and participation; between fathers' level of education and childrens' level of education; and between occupation and education so that mobility and opportunity are certainly related to starting points for individuals.[23]

Earlier surveys had shown many of the same phenomena. Work on participation showed that Nigeria had comparatively high rates of associational membership, especially in religious and ethnic associations.[24] Even in urban areas, where political participation has tended to be higher than rural areas, elites have found it easier to organize on the basis of communal cleavages, that is language, ethnic, and neighborhood ties, than on the basis of occupational ones.

The politics of ethnicity and class need not be two hands of a balance. Indeed, class and ethnicity often intersect. Occupations may be held by one ethnic group; economic changes may be highly uneven and exacerbate ethnic relationships and create class tensions. In Nigeria, however, we can say that class issues have not dominated party politics either in the First or Second Republic. This reflects the complexity of Nigerian society in ethnic/communal terms as well as in occupational/class terms. The size of the industrial working class in Nigeria has remained relatively small. The informal sector is hard to organize. Trade unions have been internally split and while perhaps growing stronger and capable of short-run disruptions do not constitute, as yet, a solid organization base for political leaders.

Thus is should be no surprise that there has been no clear movement from ethnic to class identifications and that ethnicity has remained an important organizing tool and concept for party politics in Nigeria. It is true that during the military period, communal politics became less overt and the

nineteen states became less significant bases of power than the old regions were. The social composition and occupational structure of society have changed since 1960. Occupational differentiation has proceeded; the industrial working class is growing in size although it is still a small part of the urban employed. The commercial and business sectors have expanded along with the strengthening of parastatal and public sector organizations. That is, the private business sector and the middle class in private employment grew along with the growth of the public sector in the 1970's.

Nonetheless, power and status in Nigeria did not and do not rest principally on private economic resources. Control of the institutions of state has been critical for the elite. And communal stratifications have been critical factors for those members of the elite who were contending for power. It is for these reasons that the pressures on high level decision makers were from civil servants, the military, and from ethnic groups.

We now come directly to try to account for the important policy initiatives that were undertaken in the 1970's. I have already suggested that workers did not exert strong pressures from below. We will see that the rural sector was unable to exert pressures except sporadically. The elites of the state, both military and civil service, had their own policy objectives and biases, but they were also constrained by the administrative frameworks and by the capabilities which existed in Nigeria. Moreover, past policies and the structure of development up to the boom in oil revenues had to be taken into account after 1974.

Civil servants and military officers had interests of their own to take care of and they had policy inclinations which were expressed through macroeconomic strategies and which were reflected in spending priorities. As self-interested individuals and as interested groups, public officials pushed

very hard for large increases in their salaries, and these were granted after a two-year inquiry of the Public Service Review Commission (The Udoji Commission), which submitted its report in September, 1974. Many salaries were doubled retroactive to April, 1974. The Udoji Commission in the first instance had provided recommendations for administrative grade (higher) civil servants. But pressures from the general grades in the civil service led to widespread salary increases. At the end of 1974, a decision was taken by the Gowon government to double many civil service salaries and to make the increases retroactive to April, 1974. Salaries towards the bottom of the civil service were increased 130 percent. As other organized workers clamored to keep up, the Udoji wage accords had the impact of fueling inflation in Nigeria. It has been estimated that the Udoji awards increased the public sector wage bill by 50-60 percent.[25] The cost of the Udoji increases was estimated at Naira 366 million.[26] This amounted to 23.4 percent of the total federal government expenditures of the preceding year.

Commentators have seen the Udoji wage increases as the Gowon regime's attempt to encourage acquiesence to its retention of power by giving a pivotal sector of the population a sizable share of oil wealth.[27] For just as the Udoji awards were announced, General Gowon also said that the country was not ready to return to civilian rule. However, aside from the desire to build support from its immediate constituency, public sector civilian and military officials, the Nigerian government was in a hurry to spend money. It wanted to avoid being burdened with the charge that it was not spending when Nigeria was poor. Wage increases were a way of spending money rapidly. Government also committed funds hastily to new domestic investment with little planning. This led to waste and corruption and many individuals profited tremendously. Planners who were involved in formulating plans for government spending have related how orders came down to simply multiply spending levels on transport and eduction. By

1975-76, programs were being implemented and expenditures reached more than six times the pre-oil boom of only three years before.[28]

There was a backlash effect against the Gowon government. After Murtala Mohammed took over in July, 1975, thousands of civil servants were dismissed for corruption and inefficiency and a significant number of military officers were purged also. By the time of General Mohammed's assassination, as many as 11,000 civil servants were reported to have been removed. Mohammed became popular as a "clean government" leader and one who used the rhetoric of populism to build support.

Inflation: The Policy Response

It can be asked if the Gowon government had foreseen the inflationary consequences of its own spending. The government might have thought that wage increases would be sopped up through a rise in private consumption, but since imports were restricted, and domestic food supply was inelastic in the short-run, prices could be expected to rise to choke off excess demand and in the process to reduce the publics' spending power.

What is clear is that the inflationary pressures of the pre-1974 period from government spending and the pent up demand and reconstruction needs from the Civil War were accelerated by government spending policies after the first oil shock. The government did try to reduce inflation by subsidization of public sector enterprises. Utility prices were kept low (Table 18). However, these policies led to growing public sector deficits. There was a large jump in the money supply after 1974. Oil receipts were monetized; the money supply rose and the banks were also rendered very liquid as the government, sliding into deficit, became a net creditor to the banking system.[29]

In fact, government had tried to increase agricultural production by giving producers higher prices. In early 1973, General Gowon had transferred the power to fix producers' prices from state marketing boards to the federal government. Export duties and the states' produce sales taxes on crops that the board dealt with were replaced by a single federal tax of 10% ad valorem. In 1974 this tax was removed. When General Mohammed came to power in mid-1974, he increased producers' prices for agricultural commodities. Between 1974-76 producers' prices doubled for many agricultural commodities. Government undoubtedly hoped that it would attain larger agricultural production increases than occurred.

Did government consciously try to transfer revenues to the public sector through an inflation tax? After 1974 seigniorage transfers to government amounted to the equivalent of 15% of private sector savings.[30] Government knew that it had limited ability to transfer revenues to the public sector through taxing incomes in the urban sector. Although it did impose uniform tax rates throughout the Federal Republic in 1975 (retroactive to April, 1974), personal income tax enforcement remained low in Nigeria. Moreover, as just noted, government was in the mid-1970's removing taxes from agricultural producers. There is some reason to believe that policy makers saw inflation as an easier way of pulling domestic resources out of the private sector than through taxation. Of course, these views were not publicly articulated in Nigeria.

Trade Policy

Trade and the balance of payments became issues in Nigeria's macroeconomic policies especially after 1976. As Obadan and Ihmodu have argued, during the military regimes, policies were aimed at managing the external

trade sector by depleting reserves in periods of deficits and accumulating reserves in periods of surplus.[31] Nigeria's leaders were reluctant to borrow in international money markets, although they were to do so when oil prices fell in 1978. After 1973, when a devaluation of the Naira occurred, small adjustments to the exchange rate were made in an ad hoc manner as oil revenues rose or fell, until 1979 when a 14% revaluation occurred. Nigerian governments operated largely through tariffs and direct controls such as import regulations and licensing. Foreign exchange controls have been used too. Government has frequently changed controls, travel allowances and restrictions on income transfers. This had led to uncertainty for domestic marketing, overseas investors and lenders. Government also used its taxing powers to increase revenues via customs duties and export taxes. Government did not, however, try to handle balance of payments problems through cutting back on its macrospending policies until 1978. However, earlier, in 1976, when very large deficits occurred in balance of payments, concern over external trade balances became a major policy issue. As Figure 1 makes clear, agricultural imports were becoming significant after 1975, and as Table 15 shows, imports were rising steadily and Nigeria's balance of payments situation worsened in 1975 and 1976. Nigeria ran severe deficits in trade in 1978. In response, government did cut back on spending projections in that year.[32] Prior to 1978, government still opted for growth and while it imposed stricter direct and exchange control measures at various times, it was increasing its expenditures. One result was smuggling and exchange control violations. Another was rising prices, particularly of food and consumer goods.

Distributional Consequences

Government did realize that rising prices and the impact of oil revenues affected various groups differentially. Even though trade unions have not been strong organizations in Nigeria, they could try to protect unionized workers.

Between 1963 and 1974, labor's share in industrial value added never exceeded 26%. Labor did poorly in Nigeria during the initial period of military intervention and the subsequent civil war, but much of the ground lost by labor between 1965 and 1970 was regained between 1970 and 1974. A freeze was imposed on wages, and the Trade Disputes Decree of 1968 had made some types of strike actions illegal. Still, Nigeria continued to have strikes and work stoppages even under restrictive legislation during military rule, although it is clear that times of crises impared labor's ability to increase its share ot total value. Nonetheless, it is important to note that total industrial wages rose more than fivefold from 1963 to 1974. Subsequently, organized labor was better able to protect itself during the period of inflation in Nigeria by getting catch-up wage increases through wage commission recommendations as compared to the informal sector and the rural sector.

Rhetorically, the Gowon government was committed to developing an incomes policy and to achieving better social equity as well as price stability. As noted, price stability was not achieved. In 1975, the money supply increased by nearly three quarters and prices rose by 43%. Following the 1976 budget, there was an attempt to keep the money supply in check and wages were frozen for a time. But the Nigerian pattern of freezing wages and then having wage jumps continued.

Discussions of income distribution are notoriously difficult but while the picture is somewhat mixed for Nigeria in the 1970's, we can say that oil worsened the maldistribution of Nigeria's income.[33] Income inequality appears to have increased in the 1960's and early 1970's with respect to overall interpersonal income distribution measures and with respect to rural-urban differentials. From 1963 until 1970 there was a narrowing of interindustry earnings differentials. But since then that trend has reversed. There was a stability of the industrial wage hierarchy among industries. However, the income gaps between Nigerians

with disparate levels of education were reduced from 1960's to the 1970's.

During the period 1963-1974, the average earnings of non-Nigerians as a percentage of all employees' average earnings fell. Also, during this period, there was a movement toward compressing earnings between professional, managerial, and clerical employees. The higher the average earnings of a group, the lower the percentage increases in its earnings. The bulk of income shares lost by professional and managerial personnel went to manual workers. Clerical personnel held their shares. Within the Nigerian civil service, wide differentials obtain between grades, but they have been narrowing. Indeed, between 1954 and 1975 a federal government permanent secretary's wage was reduced from 36 to 17 times that of an unskilled laborer. This is still more than five times the gap in Britain; and, if fringe benefits were included, the Nigerian gap would appear to be even wider.

For the period after 1975, we have even more severe problems with data on Nigerian income distribution than we have for the pre-1975 period, thus it is difficult to measure the impact of oil on income distribution profiles throughout the 1970's. Diejomaoh has captured aspects of income distribution by looking at per capita production in rural and urban areas and by measuring labor productivities in different sectors of the economy (Tables 16-17).

The magnitude of sectoral differentials in Nigeria up to 1970 was similar to many developing countries with respect to labor productivity and rural-urban income inequalities. The Kuznets ratio (labor productivity in the industrial and service sectors divided by labor productivity in agriculture) increased from 2.0 and 2.4 for Nigeria in 1966 and 1970 to 6.2 in 1975. The last figure is outside the range of higher values for most of the least developed countries. The sharp increase in inequality between sectors from 1970 and 1975 was due largely to increases in oil production and prices during this period.

As Diejomaoh and Anusionwu argued, the sharp rise in industrial productivity is in fact largely due to windfall gains arising from oil price increases rather than to technological change or manpower development.[34] (Of course government received most of the oil income, not the factors of production.) They calculated K-ratios without including the mining sector which is almost all oil production and found that they would have been:

1966: 1.8 instead of 2.0
1970: 2.0 instead of 2.5
1975: 3.0 instead of 6.2

This trend of increasing differentials in labor productivity would probably have persisted without oil but the magnitudes almost certainly would have been less.[35] As younger people, both men and women, migrated to cities and towns, went to work in public construction or were taken out of production through the spread of education, labor productivity in agriculture actually declined in real terms.[36]

When we look at income differentials between urban and rural sectors (Table 16) we see an increasing ratio of urban to rural incomes. For interpersonal income distribution, no comprehensive nationwide survey has ever been carried out in Nigeria that would enable us to have great confidence in estimating degrees of inequality. There are many fragmentary studies of interpersonal income inequalities. Surveying these works and doing their own calculations, Diejomaoh and Anusionwu concluded that there was a sharp trend towards inequality within the modern sector from 1970 to the mid-1970's after a moderate degree of inequality in the 1960's. They put the Gini coefficient in the modern sector at .55 in 1970 and at .7 in 1976-76. The magnitude of interpersonal income inequality in the rural sector has been low with Gini indices probably around .3.[37] For the urban sector as a whole, the bottom layer comprises the self-employed in the informal sector. In 1975, in urban Nigeria, the low income self-employed had an average monthly income which amounted to 62% of the

average income of the lowest paid wage earners. Large income inequalities appear in Nigeria as the modern sector is compared to the rural and urban informal sector. Growth of the former relative to the latter sectors therefore increases the degree of overall inequality.

Diejomaoh and Anusionwu estimate that interpersonal income distribution nationwide moved from around a Gini index of about 0.5 in 1960 to about 0.6 in 1970, and perhaps above 0.7 in 1975-1976. A decline in inequality may have occurred after 1976 through a sluggish performance in the modern sector, especially in the oil sector in 1978, and with a rise in agricultural production of about 3% in 1976-1977. With the renewed boom in oil prices in 1979-1980, income inequality probably was on the increase once again because government funneled its oil revenues into the urban sector.

For a number of reasons, policies aimed at income distribution have focussed on incomes within the urban sector rather than on urban-rural redistribution or within-rural redistributions. Politically, urban-rural redistributions would be difficult to carry out. Fundamentally, the government would have had to radically revise its policies to alter the trend of increasing rural-urban inequality. It did not do so in the 1970's although it took the aforementioned measures to improve rural incomes through ending certain taxes on producers and by raising producers' prices from 1973 values (Table 10). While we do not have good data which would enable us to calculate well the terms of trade between rural and urban sectors, Table 18 gives us a rough measure by showing us sectoral price indices.

This table suggests that agriculture did not improve its terms of trade position. However, Table 13, the Consumer Price Index, does show that food prices increased rapidly. The discrepancy between price increases in food shown on Table 13 and the sectoral price increases for agriculture (Table 18)

can in part be accounted for by increases in trade margins. However, Table 10 also shows significant rise in farmgate prices for basic foodstuffs such as yams, cassava, millet and guinea corn. Thus there are some discrepancies that appear in the data. There is a range of uncertainty expressed in the different tables. It is clear that Nigeria did increase its food imports significantly (Figure 1). While this helped to keep farmgate prices of rice and other foods down, the Nigerians did not develop a "cheap food" policy as did the Iranians. While imports did compensate, to some extent, for falling per capita food production (Table 11), the system of importlicenses which controlled food imports gave high profits to distributors and kept food imports lower than unregulated markets would have produced. Probably, relative prices for agriculture did not change much from 1973-1979.

In 1977, the state marketing boards were replaced by a national board for each commodity. The move to put the power for setting agricultural prices in the hands of the federal government through the creation of national boards was another example of the transfer of power from states to the center. Revenues, it was felt, no longer had to be raised through taxing producers with lower than export prices because oil was filling revenue needs. Moreover, for many agricultural commodities, there was no longer any surpluses above consumption for the home market. Cocoa was an exception, but for most of Nigeria's traditional agricultural exports the rise in domestic consumption and in some cases stagnating or even falling production ended the possibility of exports. (Table 11).

The development and expenditure policies of the federal government show that most investments were made in the urban areas; insofar as investments went to rural areas they were in transportation and education. Nigerian agriculture depended, in the short-run, on increases in its traditional

inputs -- labor and unirrigated land. Arable land has increased from 21.4 million hectares in 1961-65 to 23 million hectares in 1978. Virtually none of this land is irrigated. In 1960 the economically active population in agriculture was 13.1 million (70.8% of the total). In 1978 it was 14.5 million (55.1%). In line with the increase in productive factors, agricultural value added grew in constant prices by about 10-15% over this period. (The base year 1962 or 1963 gives different results and data is poor in any case.) Labor and land are virtually the only inputs used in Nigerian agriculture. Production is almost exclusively by small farms using rudimentary techniques. Commercial fertilizer use of all kinds averaged only to 3.4 kg./per hectare of arable land in 1977; the corresponding figure for all of Africa is 13.0 kg./per hectare and for the world is 69.0 kg./per hectare. Only the simplest of farm tools are used on most Nigerian farms. The picture is that of a technologically stagnant environment unable to meet the food demands of rapid urbanization. Labor was drawn off the land into construction and service projects funded by the exploding public investment program, without agriculture benefiting from increased productivity out of public spending.

There have been a number of factors which have led to the relative neglect of agriculture in government spending. While the Nigerian population still had a very clear majority occupied in agriculture, the political power of those in the agricultural sector was, as in most African countries, dispersed and unorganized. During military regimes, elections did not count and the rulers did not have to go to the people on a record of investment and expenditure which was low for agriculture. Even in the 1950's and 1960's when governments were elected and when groundnut and cocoa exports were important for export revenues, farmers were not powerful political or economic interest groups in Nigeria. Cocoa farmers in the Yoruba areas

where cocoa is grown never functioned as a well organized and powerful pressure group to the extent that planters were able to function in the Ivory Coast. Indeed, in the 1950's and early 1960's, much of the cost of delivering welfare and promoting development in Nigeria was financed through withholding earnings from commodity producers by paying them below the world market prices and then by directly taxing them.[38] This pattern occurred in Ghana also.

Overall, Nigerian policy makers have not faced strong pressures from below to make large new inputs into the rural areas. The one major exception was the Agbekoya revolts of 1968-69 in Western Region. Agbekoya, which means in Yoruba "farmers who reject injustice," was an agrarian populist movement and a revolt against high taxes and poor services which centered in areas where cocoa production had been declining.[39] The revolts were put down with some loss of life. After intital relief, not much was done to benefit these areas. Military officers tended to see the movement as a plot hatched by former politicians and were insensitive to farmers' grievances.[40] The pressures on government by those in revolt could not be sustained and were not echoed through Nigeria nor were they reproduced on a similar scale in the 1970's.

Policy makers were thus relatively free to be more concerned with urban problems and to follow their own predilections. They believed that urban inequality and urban poverty could be attacked through service delivery. Nigerian policy makers have felt that investments in agriculture were difficult to make. This applies especially where small and middle size farmers are to be the recipients of investments in agricultural extension, new seeds and other inputs, marketing facilities, etc. Thus in the 1970's, government, insofar as it did push in the agricultural sector, went for programs like the National

Accelerated Food Production Program which was not backed by real investments or for "self-awareness programs," e.g., Operation Feed the Nation, and for investment in pilot farm schemes and agribusiness. The hope frequently has been that overseas investors through their technical skills and capital would provide an impetus to agricultural growth. There has been a feeling in the past among high policy makers that investments in agriculture made in the small-holder sector would take too long to pay off, if they paid off at all. This abandonment of the small-holder in the 1970's before having made any major commitment to the sector has been not unique to Nigeria in Africa.

Nigeria has also had many bottlenecks in administration. As we have seen, public sector investment programs fell short of estimates due to constraints in the implementation process. This was especially true for agriculture where expenditures increasingly fell short of projected amounts as the 1970's progressed (Table 9). Government had a hard time getting funds out to the rural areas. In part, there was a problem in finding good projects to fund. In part, the administrative networks to develop projects and implement them were very weak in the rural areas. It was simply easier to contract for the building of roads and ports and to invest in plants.

Agricultural capital expenditures were in the hands of the state government as well as responsibilities of the federal government. In the Second Plan, the capital expenditures of the states for agriculture were budgeted at about twice those for planned investment of the federal government. In the Third Plan period, the states had a somewhat larger planned investment in agriculture than the federal government. Although the administrative capacity of some states was very low, and the states had shortfalls between planned investments and expenditures, shortfalls for the states in agriculture do not seem to have been invariably worse as compared to shortfalls in other sectors. Perhaps

this was because agricultural producers could exert more effective pressure at the state level compared to their abilities at the national level.

In sum, while all observers have been conscious of lower average incomes in rural areas and of relatively small amounts of investment (both public and private) in the rural sector, political pressures, the availability of data, and a sense of what can be done have all worked to keep the focus of attention on the urban sector.

The Military's Claims on Resources

I have noted that the military and civil service can themselves be considered important interest groups in Nigeria. The Nigerian military had general orientations towards growth and economic nationalism that have been described. It was narrowly concerned to build barracks and to improve the terms of service for officers and men. Indeed, these concerns were made explicit by General Gowon early in his regime when he announced what the military government needed to accomplish before it could hand over to civilians. Moreover, there was military reconstruction to be done after the Civil War. The army that had expanded from 10,000 in 1966 to well over 200,000 in 1971 had to be reequipped and supplied. Defense in Nigeria has usually been the largest item in the recurrent expenditure budget (Tables 5 and 6) and it has been a large and significant although declining share of the capital budget (Tables 7 and 8). Defense recurrent expenditures, however, did not rise precipitously after the oil boom because they had already risen rapidly from 1966-1972/73 due to the military expansion of the Civil War. In 1971 and 1972 Nigeria was already spending over 300 million naira a year on defense. Capital expenditures did more than double from 1972/73 to 1973/74 as the oil boom made purchases of equipment possible.

Expenditures on the military have declined as a share of total government expenditure.[41] But Nigeria's defense expenditures as a share of GDP have remained near five percent. Defense spending in Nigeria seems more related to perceived needs from the Civil War period and subsequently to a concern with Nigeria's regional defense posture than to the possibilities opened up by oil revenues. That is, defense, more than any other expenditure item, seems relatively unrelated to oil revenues. Indeed, defense went up as a share of capital spending in President Shagari's civilian budget of 1981. One could argue that this was a consequence of a civilian need to keep the armed forces happy. But it is also true that Nigeria in the late 1970's and early 1980's began to acquire costly sophisticated weapons such as new battle tanks, C 130 transport aircraft, and Roland missiles. Nigeria is determined to acquire new fighter aircraft; the navy wants to upgrade its ships. Plans are also underway to become more self-sufficient in arms and ₦ 19 million was set aside in the 1981 budget for the Defense Industries Corporation.

While the prospects for large-scale warfare between Nigeria and its neighbors is remote, Nigeria has security concerns vis-a-vis Libya, Chad, and Cameroon. It feels compelled to take a hard line against South Africa. Thus, Nigeria's considerable defense effort is geared both to internal security, conflicts with neighbors, and to some extent to creating a modern armed force that might confront South Africa in the future. Spending on defense may be costly in development terms and Nigerian political leaders have not been unanimously enthusiastic about defense levels. But the perceptions of the need to meet the armed forces' own concerns and demands and the support of strong anti-South African positions and the generally shared view of Nigeria as the Black African power has meant that there has been no bitter debate over defense spending. The civilian regime is certainly not going to curtail defense

spending given the history of coups in Nigeria and the desire to keep the armed forces in the barracks.

Conclusion

An unusually great share of Nigeria's oil windfall after 1973 was expended on expanding public services, particularly education, and physical infrastructure, notably roads. Service expansion was greatest in urban areas. Agriculture received little attention despite its large role in the economy. With stagnant technology, and labor drawn into public construction and schools, agricultural output fell rapidly relative to the size of the non-oil economy. Inadequate infrastructure and distribution and a stop-go import policy resulted in the multiplier effects of spending out of sharply increased public programs being dissipated in inflation and exchange overvaluation rather than large increases in real consumption, since the supply of a key consumption good was inelastic.

This "serviced based" expansion was not unpredictable. Neither was it undertaken in opposition to popular demands. Regional inequalities had long been more politically controversial than those among income groups and class-based political movements were weak. There was no landed class target for redistributive pressure and the federal and state bureaucracies were themselves powerful interest groups. There was thus little demand for directly redistributive measures and productive factors specific to a sector (such as agricultural labor) had no political basis for exerting pressure.

Pressures from the rural economy were blunted, too, by the strength of the desire to "exit" and recognition of the crucial importance of education in determining the ability to compete in modern-sector labor markets. Growth, the extension of highly visible public services, indigenization (to the extent

that it did not endanger growth) and the unification of the nation-state were more important goals than improving rural productivity and redistributing income directly.

At the same time, institutional constraints and the extreme political pressures to spend rent quickly contributed to shape the pattern of expenditure. Intervention in the rural economy was difficult and had previously been minor. In the absence of a tradition of successful measures, it was perceived, probably correctly, as impossible on a large scale in the short-run. Expanding roads and education -- traditional functions of the Nigerian State -- was far easier. The primary enrollment ratio shot up from only 37% in 1970 to 79% in 1978 while secondary enrollment rose from 4% to 10%. These are notable achievements, despite the inevitable caveats on education quality. Priorities began to shift somewhat back to agriculture and towards heavy industry after the election of the civilian government.

Other oil exporters have chosen different options for disposing of the windfall after 1974. Some, like Algeria, invested particularly heavily in capital-intensive heavy industry, a trend which only became apparent in Nigeria after 1979. Indonesia devoted a substantial share of its resources to agriculture. How successful the Nigerian strategy of transforming oil wealth into human infrastructure capital (hence into nontraded assets with a wide developmental impact) has been, will only become apparent after a number of years, required for effects on productivity to be demonstrated.

Table 1: REVENUE AND EXPENDITURE OF STATE GOVERNMENTS 1972/73-1976/77
(₦ Thousand)

ITEMS	Actual 1972-73	Actual 1973-74	Actual 1974-75	Provi-sional. 1975-76	Estimate 1976-77
Independent Revenue	127,153	179,493	215,384	293,200	353,100
Statutory Allocation	322,300	323,700	833,700	1,846,600	1,422,000
Total Revenue	449,453	503,193	1,049,084	2,189,800	1,755,100
Recurrent Expenditure excluding Transfers to Development Fund	402,864	513,344	688,543	1,515,600	1,494,800
Recurrent Surplus	-46,589	-10,151	+360,541	+624,200	+250,300
Capital Expenditure	299,376	440,177	883,266	707,771	2,560,908
Overall Surplus/Deficit	-252,787	-450,328	-522,725	-83,571	-2,280,608

Source: Central Planning Office and World Bank.

TABLE 2 :
Federal Government's Outlays, 1969–1976
(millions of ₦)

	Recurrent Spending	*Allocations to States*		*Loans on-Lent to States*	*Development Spending*	*Total Federal Outlays*
		Statutory	*Non-statutory*			
1969	287.2	138.2	—	31.2	91.6	548.2
1970	638.3	267.6	—	20.4	200.6	1,126.9
1971	492.8	330.8	—	27.6	146.2	997.4
1972	681.4	331.0	—	155.4	295.9	1,463.7
1973	644.4	307.3	11.8	130.6	435.1	1,529.2
1974	873.6	643.0	0.5	325.9	1,223.5	3,066.5
1975	1,685.9	1,039.9	9.1	310.5	3,207.7	6,253.1
1976	2,170.4	1,142.8	502.2	200.6	4,041.3	8,057.3
1977	2,315.9	1,202.7	300.6	437.7	5,004.6	9,261.5

SOURCE: Central Bank of Nigeria, *Annual Reports.* As found in Rimmer, P. 64.

Note: Figures of recurrent spending are net of transfers to the states and the Development Fund; development spending excludes on-lending to states.

TABLE 3:
Annual Average Rates of Growth and Percentage Distribution of Expenditure Categories of Nigerian GDP at Current Prices, 1970/71–1977/78

	Annual Average % Rate of Growth 1970/71–1977/78
Private consumption expenditure	11.9
Gross fixed capital formation	36.9
Government consumption expenditure	32.8
GDP at market prices	20.3

Percentage Ratio of GDP

	1970/71	*1971/72*	*1972/73*	*1973/74*	*1974/75*	*1975/76*	*1976/77*	*1977/78*
1. PCE	74.8	72.2	68.4	66.9	50.9	52.4	40.7	44.9
2. GFCF	14.8	17.8	18.2	16.7	17.6	31.1	34.6	36.6
3. GCE	10.0	8.7	10.4	9.1	7.3	13.5	20.4	19.9
Total	99.6	98.7	97.0	92.7	75.8	97.0	95.7	101.4

SOURCE: Calculated from IMF, *International Financial Statistics,* February 1978 and February 1980. As found in Rimmer, p. 53.

TABLE 4 : GROSS DOMESTIC EXPENDITURE AND ITS DISTRIBUTION AT CONSTANT (1977/78) PRICES

(N Million)

	1973/74		1974/75		1975/76		1976/77		1977/78		1978/79		Growth Rate 1973/74 - 1977/78
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	(%)
Exports of Goods and Non-Factor Services	8,626	34.4	8,324	30.6	6,887	24.6	7,692	24.5	7,553	23.3	8,091	23.8	-3.4
Imports of Goods and Non-Factor Services	2,654	-10.6	3,548	-13.0	5,488	-19.6	7,168	-22.9	8,703	-26.9	7,976	-23.5	36.0
Gross Domestic Investment	3,793	15.2	4,320	15.9	6,940	24.8	9,327	29.8	9,922	30.7	10,696	31.6	30.9
Government	472	1.9	1,513	5.6	4,675	16.7	6,075	19.4	6,464	20.0	6,502	19.2	97.9
Others	3,321	13.3	2,807	10.3	2,265	8.1	3,252	10.4	3,458	10.7	4,194	12.4	2.3
Government Consumption	1,877	7.5	2,334	8.6	3,194	11.4	3,133	10.0	3,826	11.8	3,157	9.3	18.8
Private Consumption a/	13,417	53.5	15,763	58.0	16,479	58.8	18,350	58.6	19,761	61.1	19,962	58.8	9.7
GDP at Market Prices	25,059	100.0	27,193	100.0	28,012	100.0	31,334	100.0	32,359	100.0	33,930	100.0	6.7

a/ Residual

Source: World Bank Estimates

TABLE 5: CURRENT EXPENDITURES OF THE FEDERAL GOVERNMENT, 1973/74-80

(million Naira)

	Actual					Estimates			
In Current Prices	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79 Revised	1979/80 Approved	1979/80 Final	1980 (12 month)
General Services	570	709	1,136	995	1,312	1,212	1,219	1,266	2,169
Defense	329	340	780	582	696	596	520	522	621
Others	241	369	356	413	616	616	699	744	1,548
Community and Social Services	36	163	377	742	397	419	486	530	932
Education	13	129	295	601	261	268	326	369	606
Health	20	29	70	93	100	81	97	97	155
Others	3	5	12	48	36	70	63	64	171
Economic Services	60	100	152	138	222	191	243	244	401
Agriculture	17	30	40	23	37	20	34	34	33
Construction	31	51	81	81	89	92	106	106	210
Transport and Communication	9	15	23	27	37	29	44	44	58
Science and Technology	-	-	-	-	40	31	33	33	64
Others	3	4	8	7	19	19	26	27	36
Non-Statutory Transfers to the States	12	1	485	26	560	535	593	651	595
Interest on Public Debt	78	87	70	139	207	235	199	199	590
Total Current Expenditures	755	1,058	2,220	2,040	2,697	2,592	2,741	2,890	4,687
In Constant 1973/74 Prices									
Current Expenditures net of Interest	677	971	2,150	1,901	2,490	2,357	2,541	2,691	-
Government Consumption Deflator	100	108	135	159	192	224	258	258	-
Current Expenditures in 1973/74 Prices	677	897	1,597	1,197	1,294	1,051	985	1,043	-

Source: Federal Ministry of Finance. and World Bank

TABLE 6: CURRENT EXPENDITURES OF THE FEDERAL GOVERNMENT, 1973/74-80

(percent)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 Approved	1979/80 Final	1980
	Actual					Estimated			
General Services	75.4	66.9	51.0	47.9	48.6	43.2	44.5	44.9	46.3
Defense	43.5	32.1	35.0	28.0	25.8	22.1	19.0	17.7	13.3
Others	31.9	34.8	16.0	19.9	22.8	21.1	25.5	27.2	33.0
Community and Social Services	4.8	15.4	16.9	35.7	14.7	15.6	17.7	18.0	19.9
Education	1.7	12.2	13.2	28.9	9.7	10.0	11.9	12.5	12.9
Health	2.7	2.7	3.2	4.5	3.7	3.0	3.5	3.3	3.3
Other	0.4	0.5	0.5	2.3	1.3	2.6	2.3	2.2	3.7
Economic Services	7.9	9.4	6.8	6.6	8.2	7.1	8.9	8.3	8.6
Agriculture	2.2	2.8	1.8	1.1	1.4	0.7	1.2	1.2	0.7
Construction	4.1	4.8	3.6	3.9	3.3	3.4	3.9	3.6	4.5
Transport and Communication	1.2	1.4	1.0	1.3	1.4	1.1	1.6	1.5	1.2
Science and Technology	-	-	-	-	1.5	1.2	1.2	1.1	1.4
Other	0.4	0.4	0.4	0.3	0.6	0.7	1.0	0.9	0.8
Non-Statutory Transfers to the States	1.6	0.1	21.8	3.1	20.8	25.4	21.6	22.1	12.6
Interest on Public Debt	10.3	8.2	3.1	6.7	7.7	8.7	7.3	6.7	12.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Federal Ministry of Finance and World Bank.

TABLE 7: CAPITAL EXPENDITURES OF THE FEDERAL GOVERNMENT, 1973/74-80

(₦ Million)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79 Budget	1978/79 (Revised)	1979/80 Approved	1979/80 1st Supp.	1979/80 2nd Supp.	1980 (9 months)	1980 (12 months)
General Services	199	308	1,085	1,059	1,126	1,113	779	1,038	1,110	2,110	1,126	1,502
Defense	91	193	455	455	563	709	496	602	644	644	500	667
Others	108	115	698	704	563	404	283	436	466	1,466	626	837
Community Services	10	245	221	505	567	516	437	471	471	498	1,038	1,383
Housing	9	195	167	263	202	121	121	84	84	84	453	603
Water Resources	1/	48	27	221	276	246	172	360	360	360	538	717
Others	1/	2	27	21	89	149	144	27	27	54	47	63
Social Services	40	192	791	621	349	351	246	471	629	629	805	1,073
Education	30	179	750	568	294	301	211	391	533	533	695	926
Health	10	13	41	53	55	50	35	80	96	96	110	147
Economic Services	276	672	1,555	2,672	3,469	3,017	2,407	4,456	5,328	5,539	4,486	5,981
Agriculture	41	103	174	90	142	128	90	220	322	322	327	436
Power	21	92	113	160	207	509	509	540	540	540	400	533
Manufacturing, Mining & Quarrying	61	133	320	621	1,418	1,049	734	2,131	2,600	2,600	1,997	2,663
Transport and Communication	154	342	948	1,801	1,702	1,331	1,124	1,565	1,866	2,077	1,762	2,349
Transfers	242	433	479	475	428	641	457	815	815	815	536	715
External Financial Oblig.	5	268	172	58	4	204	143	175	175	175	168	224
loans on-lent to States	237	165	307	417	424	437	314	640	640	640	368	491
Total	767	1,850	4,131	5,332	5,939	5,638	4,376	7,251	8,353	9,591	7,991	10,654
Less amount reserved a/								-1,124	-1,271	-2,271 b/	-1,164	-1,552
Total	767	1,850	4,131	5,332	5,939	5,638	4,376	6,127	7,082	7,320	6,827	9,102

a/ Each year part of the appropriation for projects that are domestically financed is held in reserve. The reserved amount cannot be spent unless actual revenue collections exceed the budget estimates.

b/ Includes ₦1.0 billion that was appropriated for the capital contingency fund in the second supplementary estimate but not spent before the end of the fiscal year.

Source: Federal Ministry of Finance and World Bank.

TABLE 8 : CAPITAL EXPENDITURES OF THE FEDERAL GOVERNMENT 1973/4 - 80

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 Approved	1979-80 Final	1980 (12 Months)
General Services	26.0	16.6	26.3	19.9	19.0	17.8	14.3	22.0	14.1
Defense	11.9	10.4	9.4	8.5	9.5	11.3	8.3	6.7	6.3
Others	14.1	6.2	16.9	13.2	9.5	6.5	6.0	15.3	7.8
Community Services	1.3	13.2	5.4	9.5	9.5	10.0	6.5	5.2	13.0
Housing	1.3	10.5	4.0	4.9	3.4	2.8	1.2	0.9	5.7
Water Resources	a/	2.6	0.7	4.2	4.6	3.9	5.0	3.8	6.7
Others	a/	0.1	0.7	0.4	1.5	3.3	0.3	0.5	0.6
Social Services	5.2	10.4	19.2	11.6	5.9	5.6	6.5	6.6	10.1
Education	3.9	9.7	18.2	10.6	5.0	4.8	5.4	5.6	8.7
Health	1.3	0.7	1.0	1.0	0.9	0.8	1.1	1.0	1.4
Economic Services	36.0	36.3	37.6	50.1	58.4	56.2	61.5	57.8	56.1
Agriculture	5.3	5.6	4.2	1.7	2.4	2.1	3.0	3.4	4.1
Power	2.7	5.0	2.7	3.0	3.5	11.6	7.5	5.6	5.0
Manufacturing, Mining and Quarrying	8.0	7.2	7.8	11.6	23.9	16.8	29.4	27.1	25.0
Transportation & Communication	20.0	18.5	22.9	33.8	28.6	25.7	21.6	21.6	22.0
Transfers	31.5	23.4	11.6	8.9	7.2	10.4	11.2	8.5	6.7
External Financial Obligation	0.6	14.5	4.2	1.1	0.1	3.3	2.4	1.8	2.1
Loans On-lent to States	30.9	8.9	7.4	7.8	7.1	7.1	8.8	6.7	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less Amount Reserved	-	-					-15.5	-23.7	-14.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	84.5	76.3	85.4

a/ Negligible amount.

Source: Federal Ministry of Finance and World Bank.

Table 9: Distribution of Federal Capital Expenditures for Selected Categories

	Second Plan Allocation	Actual Investment (1970-74)[1]	Third Plan Allocation	Actual Investment (1975-78)
	(Percent of Total)		(Percent of Total)	
Agriculture	6	5.2	6.5	2.5
Manufacturing	-	-	19.0	14.0
Power	8.1	8.4	5.0	3.0
Transport*	37.7	29.3	27.5	28.1
Education	8.8	8.9	7.5	10.9

Source: For Third Plan, "Agricultural Investment: The Opportunities and Realities for U.S. Agribusiness Companies" Prepared for OICD/USDA by Agribusiness Associates, January, 1981, p. 167.
For Second Plan, calculated from World Bank Nigeria Economic Memorandum, 1976 and the Third National Development Plan.

[1]The Second Plan was originally intended to cover 1970/71-1973/74, but was extended to include 1974/75. I have used estimates and actual expenditures for the original Plan period.

*Transport for Second Plan Period is Transport and Communication.

Table 10: PRICE INDICES OF AGRICULTURAL PRODUCTS, 1974/75-1977/78
(1973/74 = 100)

	1974/75	1975/76	1976/77	1977/78
Yam	162	242	347	394
Cassava	102	119	155	182
Millet	153	175	283	361
Maize	108	152	213	198
Guinea Corn	135	183	273	302
Rice	132	159	174	174
Beniseed	149	149	186	..
Cocoyam	196	264	303	375
Melon	140	160	150	163
Groundnuts	124	158	218	191
Cocoa	158	166	178	330
Palm Kernel	180	80	89	126
Rubber	110	84	111	117

Note: The indices were calculated on the basis of farmgate price data collected by F.O.S. in the rural areas. Except cocoa, palm kernel and rubber for which the calculations were based on international price data.

Source: Federal Office of Statistics.

TABLE 11: AGRICULTURAL PRODUCTION IN NIGERIA

Year	Total Food Output Index	Food Output Per Capita Index	Cocoa Output (1000 metric ton)
1962	88	111	179
1963	96	117	220
1964	95	112	298
1965	96	111	184
1966	86	97	264
1967	86	93	238
1968	89	93	192
1969	100	103	223
1970	102	102	305
1971	98	95	257
1972	100	94	244
1973	94	86	215
1974	103	91	207
1975	107	91	220
1976	109	90	165
1977	109	88	202
1978	111	87	160
1979	114	86	180

Source: FAO Production Yearbooks (Rome, various Years)

Notes: Columns 1 and 2 are index numbers with 1969-71 = 100.

TABLE 12: INDICES OF AGRICULTURE VALUE ADDED IN CONSTANT PRICES, 1973/74-1978/79
(1973/74 = 100)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Crops	100.0	107.5	103.9	107.7	107.7	109.6
Livestock	100.0	100.0	100.0	101.0	102.8	103.4
Forestry a/	100.0	110.5	112.5	112.5	112.5	112.5
Fishing b/	100.0	101.7	98.8	106.7	108.2	111.4

a/ Based on total production of major varieties of wood as estimated by FAO for Nigeria.
b/ Based on domestic fish production data provided by the Federal Department of Fisheries.

Source: Federal Office of Statistics and World Bank.

TABLE 13: COMPOSITE CONSUMER PRICE INDEX RURAL AND URBAN CENTERS

(Base: Average 1975 - 100)

	1973[a]	1974[a]	1975	1976	1977	1978	1979	1980
All Items	66.3	75.2	100.0	123.9	143.0	166.7	186.3	204.8
Food	60.8	70.4	100.0	122.0	146.0	171.9	185.7	199.9
Drinks	71.4	72.3	100.0	131.8	140.0	154.0	175.8	195.7[b]
Tobacco and Kola	91.3	97.4	100.0	142.7	183.1	186.0	202.9	229.2
Accommodation, Fuel & Light	91.8	93.8	100.0	108.6	127.3	131.4	166.9	177.3
Clothing	70.6	83.0	100.0	128.1	141.4	176.3	219.1	270.2
Transport	70.3	91.8	100.0	116.1	141.1	158.4	195.5	197.3
Other Purchases	64.9	73.2	100.0	120.9	136.9	147.1	156.0	181.5
Other Services	74.3	80.4	100.0	118.0	143.0	166.7	177.7	235.2
Rate of Inflation (%)	6.1	13.4	33.0	23.9	15.4	16.5	11.8	9.9

a/ Consumer price index in urban centers for lower income group.

b/ Estimate. Based on weighted average ratio between food and drink for January through June 1980.

Source: Federal Office of Statistics and World Bank

TABLE 14: ANNUAL RATE OF INFLATION (%) 1976-80

(Base year = 1975)

Category	1976	1977	1978	1979	1980
Urban	+24.3	+14.0	+24.3	+11.1	+11.4
Wage Earners					
Lower Income Group	+25.6	+14.0	+21.7	+11.8	+10.0
Middle Income Group	+32.1	+12.9	+13.7	+10.6	+12.7
Upper Income Group	+18.2	+14.0	+25.2	+14.7	+11.9
Self Employed					
Lower Income Group	+23.0	+13.9	+27.3	+10.4	+12.1
Middle Income Group	+24.8	+12.5	+18.6	+13.2	+11.7
Upper Income Group	+25.9	+11.1	+20.7	+16.5	+14.3
Rural	+23.8	+15.6	+15.5	+11.9	+ 9.7
TOTAL	+23.9	+15.4	+16.4	+11.8	+ 9.9

Source: Federal Office of Statistics and World Bank.

TABLE 15:

Balance of Payments

(Millions of U.S. Dollars)

	1974	1975	1976	1977	1978	1979	1980
Merchandise Exports fob	9698	8329	10,122	12,431	10,509	16,740	23,422
Merchandise Imports fob	-2480	-5484	-7,478	-9722	-11,686	-11,803	-15,948
Other Goods, Ser. &Income Cred.	350	801	802	918	1175	1294	1977
Other Goods, Ser. & Income Deb.	-2572	-3477	-3647	-4461	-3512	-4167	-5958
Private Unrequited Transfers	-91	-112	-162	-178	-253	-350	-410
Official Unrequited Transfers	-7	-15	6	-5	-19	-38	-168
Direct Investment	257	418	339	441	213	304	595
Other Long-Term Capital	-88	-209	-367	-18	1401	1,020	998
Other Short-Term Capital	-23	-22	-39	-138	152	10	49
Net Errors & &Omissions	70	-42	46	-50	-101	187	85
Counterpart to SDR Allocation	-	-	-	-	-	48	49
Counterpart to Valuation Change	152	203	-27	-121	-223	417	-4
Payments Arrears	-216	-	-	-	-	-	-
Change in Reserves (-for increase)	-5050	16	405	948	2344	-3662	-4687

Source: International Monetary Fund, International Financial Statistics February 1982.

TABLE 16:

Distribution of GDP and Population Between Urban and Rural Areas, 1963–1975

Years	Total Population (thousands)	Rural Population: Numbers (thousands)	Rural Population: % of Total Population	Urban Population: Numbers (thousands)	Urban Population: % of Total Population
1963	55,672	44,943	80.7	10,729	19.3
1966	59,959	47,653	79.5	12,306	20.5
1970	66,939	51,842	77.8	14,796	22.2
1973	71,260	54,333	76.2	16,927	23.8
1975	74,878	56,354	75.3	18,524	24.7

Years	Total GDP at Current Factor (₦ millions) cost	Rural Population: Agricultural Product (₦ millions)	Rural Population: Per Capita Product (₦)	Urban Population: Nonagricultural Product (₦ millions)	Urban Population: Per Capita Product (₦)	Rural Per Capita Product as % Urban Per Capita Product	Urban Per Capita Product as % Rural Per Capita Product
1962/63	2,630.8	1,609.6	35.8	1,021.2	95.2	37.7	265.9
1966/67	3,210.0	1,784.4	37.4	1,425.6	115.8	32.3	309.6
1970/71	5,281.1	2,576.4	49.7	2,704.7	182.8	27.2	375.4
1973/74	8,452.7	3,122.9	57.5	5,329.8	314.9	18.3	547.7
1975/76	15,718.2	3,854.4	68.4	11,863.6	640.4	10.7	936.3

SOURCES: Computed from data from the Federal Office of Statistics, Central Planning Office, (Washington, D.C.: The World Bank, 1979). As in V. P. Diejomaoh and E. C. Anusionwu, "The Structure of Inequality in Nigeria: A Macro Analysis," in Bienen and Diejomaoh, The Political Economy of Income Distribution in Nigeria, p. 99.

$$\frac{\frac{GDP}{N_2}}{\frac{GDP}{N_U}} = \frac{N_U}{N_2}$$

TABLE 17 :

Labor Productivity in Agriculture, Industry and Services at Current Factor Cost 1966–1975 (output per worker in naira)

	Agriculture (A)	Industry (I)	Services (S)	Non-agriculture I + S	I/A	S/A	I/S	(I + S)/A
1966	₦109.9	₦269.2	₦192.5	₦222.3	2.5	1.8	1.4	2.0
1970	₦153.5	₦415.7	₦336.5	₦371.4	2.7	2.2	1.2	2.4
1975	₦203.5	₦1,463.4	₦611.8	₦1,056.7	7.2	3.1	2.4	6.2

SOURCES: Computed from data from *Second* and *Third National Development Plans* and *First Progress Report on Third National Development Plan 1975–80* (Lagos: Central Planning Board). As found in Diejomaoh and Anusionwu, op. cit., p. 97.

TABLE 18:

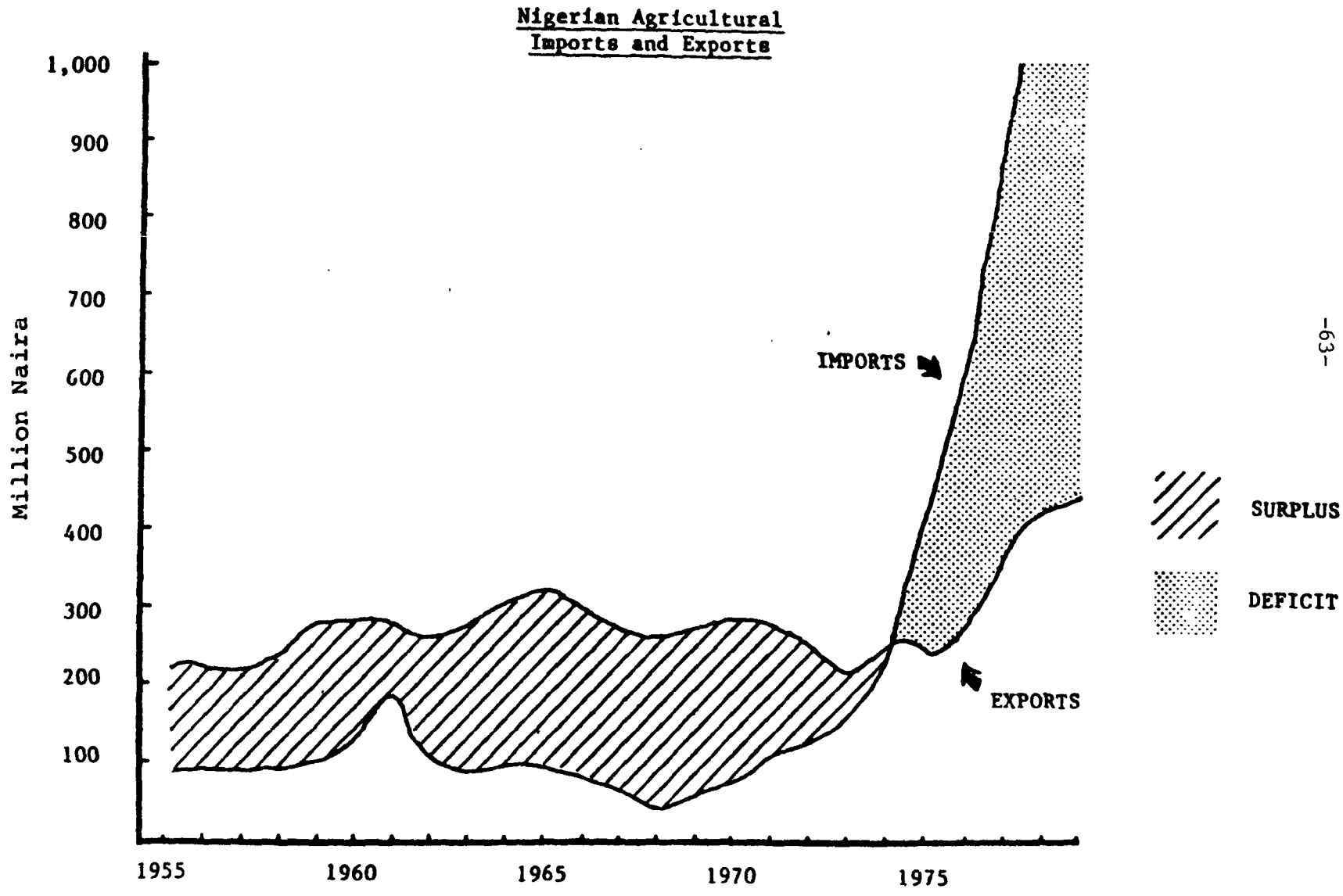
Sectoral Price Indices

Sector	73/74	74/75	75/76	76/77	77/78	78/79	79/80
Agriculture Forestry & Fishing	100	111	133	136	136	137	138
Mining & Quarrying	100	178	192	214	235	215	239
Manufacturing	100	106	134	139	153	168	182
Utilities	100	102	98	100	102	104	105
Construction	100	88	93	127	126	133	141
Transport & Communication	100	109	124	130	164	150	158
Trade	100	140	156	179	176	169	173
Privately Provided Services	100	103	106	109	112	116	117
Government Services	100	103	170	171	172	173	174
GDP Deflator	100	129	145	159	164	159	168

Source: Guidelines for the Fourth National Development Plan, 1981-85. Figures were calculated by dividing nominal quantities by real quantities.

Notes: 1973/74 = 100

FIGURE I:



Source: "Agricultural Investment: The Opportunities and Realities for U.S. Agribusiness Companies," prepared for OICD/USDA by Agribusiness Associates, p. 51.

FOOTNOTES

1. For Nigerian and other capital importing oil exporters' revenue figures see Alan H. Gelb, "Capital Importing Oil Exporters: Adjustment Issues and Policy Choices" Development Research Center, The World Bank, Washington D.C., February 1981.

2. The history of this period and accounts of various elections can be found in James Coleman, Nigeria: Background to Nationalism, (Berkeley: University of California Press, 1964); Richard Sklar, Nigerian Political Parties (Princeton: Princeton University Press, 1966); and Oyeleye Oyediran, Background to Military Rule," in Oyeleye Oyediran, ed., Nigerian Government and Politics Under Military Rule, 1966-79 (New York: St. Martins Press, 1979) pp. 1-24; S.K. Panter-Brick. ed., Nigerian Politics and Military Rule: Prelude to Civil War (London: The Athlone Press, 1970); B.J. Dudley, Instability and Political Order: Politics and Crises in Nigeria (Ibadan: University of Ibadan Press, 1973); John Mackintosh, Nigerian Governmental Politics (Evanston: Northwestern University Press, 1966).

3. For discussions of revenue sharing in Nigeria see Lawrence A. Rupley, "Revenue Sharing in the Nigerian Federation," The Journal of Modern African Studies, vol. 19, no. 2, June, 1981, pp. 257-278; Douglas Rimmer "Development in Nigeria: An Overview," in Henry Bienen and V.P. Diejomaoh, editors, The Political Economy of Income Distribution in Nigeria (New York: Holmes and Meier, 1981) pp. 29-88.

4. See Sayre Schatz Nigerian Capitalism (Berkeley: University of California Press, 1977); F.A. Olaloku, Structures of the Nigerian Economy (London: MacMillan, 1979); O. Teriba and M.O. Kayode, ed., Industrial Development in in Nigeria (Ibadan: University of Ibadan Press, 1977).

The plan documents include: The Guideposts for Second National Development Plan (Lagos: Ministry of Economic Development, 1966); the Second National Development Plan 1970-4 (Lagos: Federal Ministry of Information, 1970) and the First and Second Progress Reports on this plan published by the Central Planning Office of the Federal Ministry of Economic Development and Reconstruction at Lagos in 1972 and 1974 respectively; the Guidelines for the Third National Development Plan 1975-80 (Lagos: Central Planning Office, 1973); the Third National Development Plan 1975-80 (2 vols., 1975), the Revised vol. II (1976) and the First (1977) and Second (1979) Progress Reports on this plan, all published at Lagos by the Central Planning Unit; and the Guidelines for the Fourth National Development Plan 1981-85 (Lagos: Federal Ministry of National Planning, 1979).

5. Nigeria: Optimal Long-Term Development, World Bank Country Economic Report (Baltimore: The Johns Hopkins University Press, 1974); Nigeria: Basic Economic Report, World Bank, August, 1981; Gelb, op.cit.

6. For figures on oil production, see Rimmer, op.cit., pp. 50-52. Rimmer has used the Central Bank of Nigeria's Annual Reports.

7. For discussion of Nigeria's indigenization policy see: Thomas B. Biersteker, Distortion or Development: Contending Perspectives on the Multinational Corporation (Cambridge: MIT University Press, 1978) and Biersteker's Indigenization and the Nigerian Bourgeoisie: Dependent Development in an African Context, Yale University, November, 1980, unpublished paper; Adeoye A. Akinsanya, "State Strategies Towards Nigerian and Foreign Business, "University of South Carolina, paper presented to the Conference on Nigeria, Johns Hopkins, SAIS, 1981; Akinsanya, "Economic Independence and the Indigenization of Private Foreign Investments: The Experiences of Ghana and Nigeria" unpublished paper; Nigeria's Indigenization Policy, op.cit.

8. For the early years of the Nigerian oil industry see: Scott R. Pearson, Petroleum and the Nigerian Economy, (Stanford: Stanford University Press, 1970); L.H. Schatzl, Petroleum in Nigeria (Ibadan: Oxford University Press, 1969) For accounts of the early 1970's see Ronald K. Meyer and Scott R. Pearson, "Contribution of Petroleum to Nigerian Economic Development," in Scott R. Pearson and John Cownie, ed., Commodity Exports and African Economic Development (Lexington, MA: Lexington Books, 1974) pp. 155-178; Aprad von Lazar and Althea Duerstein, "Energy Policy and Patterns of National Development and Social Change: Lessons from Venezuela, Nigeria and Trinidad-Tobago" paper delivered at the International Political Science Association Congress of August 16-21, 1976, Edinburgh.

9. von Lazar and Duerstein, op. cit. p. 11. It was not Nigeria's imposition of OPEC terms on foreign companies which affected their willingness to invest in Nigeria's oil potential in the late 1970's and early 1980's, but the fact that Nigeria was consistently a price hawk within OPEC. However, indigenization may well have affected capital flows, especially after 1977. And there may have been indirect costs associated with restrictions on foreign managers and technical personnel. Some companies, especially textiles whose shares were bought by states, probably were poor purchases and costly to public purses.

10. Biersteker, "Indigenization and the Nigerian Bourgeoisie," p. 11. Also, Angie Hoogvelt, "Indigenization and Foreign Capital: Industrialization in Nigeria," Review of African Political Economy, no. 14, 1979.

11. Biersteker, 1980, p. 18. New foreign capital has continued to enter Nigeria at an overall annual amount of $331 million in the 1970's, rising after the 1972 Decree but falling to around $200 million per year after the 1977 Decree.

12. For the debate see Nigeria's Indigenization Policy, Proceedings of the 1974 Symposium, Nigerian Economic Society (Ibadan: Department of Economics), especially pp. 77-78.

13. Omafume F. Onage, "The Indigenization Decree and Economic Independence: Another Case of Bourgeois Utopianism," in Ibid., p. 61.

14. Third National Development Plan, vol. 1, p. 29 (Lagos: Central Planning Office, Federal Ministry of Economic Development, 1975).

15. Ibid.

16. I have argued these points at more length in Henry Bienen, "The Nigerian Election of 1979," forthcoming in a volume edited by Ergun Ozbudun and Myron Weiner, to be published by the American Enterprise Institute.

17. From interviews with Nigerians and with expatriate participants in the Third Plan formulation.

18. Rimmer, op. cit., p. 57.

19. Ibid.

20. A committee was appointed by notice on August 9, 1975 to study the question of a new Federal capital. It recommended a new capital in the report Location of the Federal Capital of Nigeria, (Lagos, December, 1975). The government's own view on the report was published in 1976 as Government's Views on the Report of the Panel on the Location of the Federal Capital (Federal Ministry of Information, Lagos, 1976).

21. This Plan was presented by the International Planning Associates to the Executive Secretary of the Federal Capital Development Authority. It is published by that Authority as Master Plan for Abuja: The New Federal Capital of Nigeria (no date).

22. From Technical Report No. 1 of the Capital Development Program Report. These capital costs did not include furniture, moving of agencies, etc. Another report estimated a twenty year cost, measured in 1978 naira,

of about 9 billion naira, with the public sector to absorb about 6 billion naira. Average annual rates of investment were estimated at N 214 million between 1976-1986, and growing thereafter. In the Special Report, "Preliminary Analysis of Costs and Financing in the New Federal Capital," Lagos, nd, the Draft Plan's estimates worked out to a total of around 9 billion naira cost by the year 2000 but with an average annual cost between 1980-86 of about N 452 million of which N 51 million were to be born by private interests.

23. Donald Morrison, "Inequalities of Social Rewards: Realities and Perceptions in Nigeria," in Bienen and Diejomaoh, op. cit., pp. 173-192.

24. Sidney Verba, Norman H. Nie and Jae-On Kim, Participation and Political Equality: A Seven Nation Comparison (Cambridge: Cambridge University Press, 1978), p. 103, Table 6-1. Field work in Nigeria was actually carried out in this study in 1966. Margaret Peil's work, carried out in Nigerian cities in 1970-71, also found high rates of membership in organizations. See The Nigerian Government: The People's View (London: Cassell, 1976).

25. Schatz, op. cit., p. 31.

26. West Africa, March 3, 1975, p. 244, cited by Sayre P. Schatz, "The Nigerian Petro-Political Fluctuation," unpublished paper, Temple University, 1981.

27. O. Oyediran and W. A. Ajibola, "Nigerian Public Service in 1975," Survey of Nigerian Affairs, 1975 (London, 1976); Richard A. Joseph, "Affluence and Underdevelopment: The Nigerian Experience," Journal of Modern African Studies, vol. 16, no. 2; June, 1978, pp. 221-240.

28. Schatz, 1981, p. 5.

29. Kesiah Awosika, "Nigeria's Anti-Inflationary Policies in the 1970's," in The Nigerian Economy Under the Military, Proceedings of the 1980 Annual Conference of the Nigerian Economic Society, (Zaria: Gaskiya, 1981), p. 285.

30. Alan Gelb, The World Bank, forthcoming.

31. M.I. Obadan and I.I. Ihmodu, "Balance of Payments Policies Under the Military Regime in Nigeria," in The Nigerian Economy Under the Military, Proceedings of the Nigerian Economic Society (Zaria: Gaskiya Publishing, 1981) p. 250.

32. Subsequently, although oil prices shot up again from April, 1979 to February 1980, from an average of $19 per barrel to $34 per barrel, the new civilian government of Shehu Shagari was cautious about the possibilities of maintaining this rate of increase in oil prices. The civilian government knew it faced wage pressures; it had escalating domestic prices; and, it was worried about future oil revenues. Nigeria's external reserves had fallen to ₦ 3 billion by the time the Shagari government came to power in late 1979. Even with the large increase in oil revenues for a ten month period from April, 1979, reserves were still only at ₦ 5.5 billion. Thus the second Shagari budget, presented in November, 1980, was still a cautious one. This caution was well placed because Nigeria's anticipated revenues of ₦ 14.745 billion for the 1981 budget year were not achieved. The 1981 oil slump affected Nigeria greatly.

33. This argument is from V.P. Diejomaoh and E.C. Anusionwu, "The Structure of Income Inequality in Nigeria: A Macro Analysis," in Bienen and Diejomaoh, op. cit., p. 48.

34. Ibid.

35. Ibid., p. 101.

36. Ibid.

37. Ibid., p. 115. Also see Peter Matlon, "The Structure of Production and Rural Income in Northern Nigeria: Results of Three Village Case Studies," in Bienen and Diejomaoh, op. cit., pp. 323-372.

38. Rimmer, op. cit., p. 38.

39. The most important accounts of Abekoya are in Christopher Beer, The Politics of Peasant Groups in Western Nigeria (Ibadan: University of Ibadan Press, 1976); Christopher Beer and Gavin Williams, "The Politics of the Ibadan Peasantry," in Gavin Williams (ed.), Nigeria: Economy and Society (London: Rex Collins, 1976), pp. 135-158; Report of the Commission of Inquiry into the Civil Disturbances Which Occurred in Certain Parts of the Western State of Nigeria in the Month of December, 1968 (Ibadan: Government Printer, 1968), known as the Ayoola Report.

40. See Robert Adeyinka Adebayo, "The Truth About Tax Riots: Governor Adebayo Speaks," (Ibadan: Government Printer, 1969). I carried out interviews with military officers in 1971-72 on the subject.

41. See Shahrzad Gohari, "Military Expenditures in Capital Importing Oil Exporters: Some Indications," unpublished World Bank Paper, February 1982, p. 22.

Appendix: The Civilian Regime of Shehu Shagari, 1979

I have noted a number of non-traditional initiatives that were started by the military regimes but were maintained and whose funding was expanded under the civilian regime of Shehu Shagari which came to power in the elections of October, 1979. Before looking at the expansion of funding for the new Federal capital at Abuja and the steel complexes, and also briefly examining some shifts in allocations which occurred in 1980 and anticipating the future, I want to sketch out the nature of the new civilian government.

1. The Parties

The ban on politics was lifted on September 21, 1979. While parties had been proscribed from January 1966 on, politics had not disappeared under the military regime and politicians had remained active in various forums. Within a week of the lifting of the ban, six political associations were announced including the Unity Party of Nigeria (UPN) led by Chief Awolowo; the National Party of Nigeria (NPN) led by Shehu Shagari, and the Nigerian Peoples' Party (NPP) led by Nnamdi Azikiwe.

The elections themselves were contested by the aforementioned NPN, the UPN, the NPP and the People's Redemption Party (PRP) led by Alhaji Aminu Kano, and the Great Nigerian People's Party (GNPP) which split off from the NPP and was led by Alhaji Waziri Ibrahim. That all the

parties who contested the elections were led by figures from the past has led some to say that the period of military rule had not permitted new political networks to grow up and that Nigeria was still dominated by the politics of ethnicity with each of the leaders of the major parties being the spokesman for a major ethnic community. It would not be completely accurate, however, to see the old political networks as being in place again after an interregnum of almost a decade and a half. New personal and factional alliances were made. It would be more accurate to say that the nature of party politics was still highly personal and that ethnic constituencies were still crucial.

Strong appeals to working class interests did not emerge in the 1979 elections. It is true, of course, that parties that called themselves socialist such as the Nigerian Workers' and Peasants' Vanguard Movement either were not allowed to contest or never went through the final process of registration. Thus no explicitly workers' party contended. While elements within the UPN and the PRP saw their parties as socialist, it would be more accurate to see these parties as populist. For while the UPN called its ideology socialist and argued that free education, free medical care, rural integrated development and full employment could only come about in a socialist system, all parties declared for the provision of more services especially health, education and housing. The emphasis was more on service delivery than on direct redistribution of personal incomes. Spokesman for the UPN accused the NPN of being led by capitalists. Indeed, the NPN, led by Shehu Shagari,

was clearly more conservative in tone. The UPN, however, also called for relaxing import controls and for removing government restrictions on trade and commercial activities. It thus tried to appeal to businessmen too. Indeed, at the very time that the UPN renewed its pledge to introduce a minimum income of 2500 naira per annum for workers and farmers within its first term four year government if elected, it also announced its intention to let Nigerians invest and establish new businesses. It seemed to show a suspicion of state controls.

The PRP did call for the state to take the commanding heights of the economy and its manifestos were more conventionally socialist than the other parties although many ideas remained highly general in its programs. It, like the other parties, avoided getting into details on the old vexing issue of revenue allocation between the states and between the Federal Government and the states. The PRP tried to paint the NPN as a party committed to restoration of the powers of traditional leaders.

Other issues surfaced during the campaign including specific promises to create more states, defense spending, and demobilization of the armed forces, and the moving of the Federal capital from Lagos to Abuja. But the parties gave relatively little indication of their priorities. While there were programmatic distinctions between the parties, and while they campaigned all over Nigeria, their strengths were less that of programmatic appeal to economic strata than the appeals of personality and ethnic coalition building. Nonetheless,

given the history of Nigeria's elections, it was no small thing that the parties tried to campaign nationally and that they were able to hold rallies and to operate outside of their base areas.

Even a cursory glance at the electoral data shows how heavily dependent each party was on its core constituency. Only the NPN showed strong support throughout the country in legislative elections, winning State Assembly seats in seventeen out of nineteen states and coming in first or second in all but six of the ninety-five Senate races. The Presidential results tell the same tale. Awolowo's vote was overwhelming in the Yoruba speaking states. He also pulled heavily in Bendel and Kwara, states with Yoruba populations. The vote for Azikiwe and the NPP was heavily based in Ibo speaking areas. Waziri Ibrahim's GNPP vote was widely spread but a majority was received only in the Kanuri Bornu State. The NPN had the broadest base of support, winning heavy majorities outside of the old Northern Region in Rivers and Cross River States.

The NPN was able to draw its support both from Moslem and non-Moslem areas of the country. The NPN had to share Moslem votes in the North with the PRP and the GNPP who were also led by Moslems, Mallam Aminu Kano and Alhaji Warizi Ibrahim. In the South, the UPN did well with Moslem voters in Yorubaland.

No party won every elected position within its ethnic area, but parties did dominate these core areas and many elections were not competitive. Parties were able to win at least some votes outside their

areas. The PRP was the most geographically bound of all the parties, drawing its support from Kano and Kaduna States.

The system was able to provide enough winners to keep parties going if they could maintain their own internal cohesion. Each party controlled at least two state executives, with the GNPP and the PRP each winning two and the NPP three, the UPN five, and the NPN seven. Each party won at least seven Senate seats and each had at least near to 10% of the House of Representatives seats. Thus parties were not frozen out. The multiple elections and layered federal system provided space for opposition parties at different levels.

Indeed, the spread of the votes lead to a failure of the NPN to win a majority in the Federal Legislature. A coalition of parties was required and one was put together between the NPN and the NPP.

When the electoral coalition broke down between the NPN and the NPP, the former no longer had a working legislative majority. Indeed, it has been frequently unable to get bills passed. By the time budget bills are passed, the estimates are obsolete.

2. Spending Patterns of the Civilian Regime: Agriculture, Education, Revenue Allocation and Defense

The context then for the NPN regime's spending was: its own victory was incomplete and it did not control a majority in the legislature and only controlled the executives of seven of the nineteen states; it came to power after a period when Nigeria's revenues suffered shortfalls in

1978 as oil prices softened and Nigeria maintained high prices and a consequent loss of markets. While prices more than recovered in 1979 they plummetted and seesawed in 1981 and 1982. While the first part of 1981 was buoyant for Nigeria, the 1981 budget was based on revenues deriving from sales of 1.9mbd at $36 per barrel. Actual earnings fell far short of projections from April, 1981 on. The Fourth National Plan had envisioned a production rate of 2.19mbd at $36 per barrel. By February, 1981, revenues were already below estimated figures.

NIGERIA OIL PRODUCTION AND GOVERNMENT REVENUE

	Production rate Thousand b/d	Net exports Thousand b/d	Net government revenue $ million
1980 (year)	2.060	1.860	23.405
1981 January	2.092	1.892	2.306
February	1.943	1.743	1.918
March	1.868	1.668	2.033
April	1.623	1.423	1.678
May	1.293	1.093	1.332
June	1.351	1.151	1.357
Half-year	1.683	1.481	10.624
July	770	570	695
August	708	508	609

Notes: These estimates are calculated independently as follows: prevailing government selling price for Bonny Light 37% API less production costs for NNPC's share of production; prevailing posted prices using standard royalty and tax rates for onshore fields of 20 percent and 85 percent respectively for the companies' share of production. 1980 figures calculated from the weighted average government selling price for the year of $35.72 barrel. The figure for net exports assumes 200,000 b/d of domestic consumption. (Actual exports are higher -- 1.979m b/d in 1980 according to Central Bank figures -- but some refined products and small volumes of crude are imported.)

Source: West Africa, November 9, 1981, No. 3354 p. 2621.

Nigeria had been one of the OPEC hawks. When world oil prices softened in 1978, Nigeria had been very reluctant to lower its own price. Government had been internally criticized and criticized from abroad for not understanding well international oil markets and for facing much larger than anticipated production cuts. When oil prices shot up again, Nigeria's decision to leave oil in the ground did not look so poor.

In 1981, Nigeria's oil production fell much more than anticipated. At the start of the year, it was running at 2.2 mbd. It was down to 700,000 bd in July, 1981 and below that in August. By November, 1981, the Nigerians were cutting prices significantly through direct cuts and through credit terms; production rose rapidly in December, 1981. Nigeria was in a weak position to keep production low in late 1981 because she had so many domestic commitments.

The Shagari regime was determined to press ahead with the new capital at Abuja. The determination to create a new Federal capital city both accentuated the realignment away from the old regions and was meant to symbolize the new Nigeria. A new capital had been talked about in Nigeria for many years. There have been political, ethnic, cultural, and economic reasons for wanting to move the capital to the center of the country, away from the coast and the colonial associations and away from the domination of Yorubaland.

When President Shehu Shagari presented the first civilian budget in almost fifteen years in March, 1980, the Federal capital was allocated only ₦ 118 million. When he presented his second budget for 1981 in November,

1980, he acknowledged that the cost of the Federal Capital Territory had been estimated by the Revenue Allocation Commission to be at N 553 million per year between 1981-85. The President saw this figure as an underestimate. Because he wanted to speed up the development of the new capital, additional funds would be required. And President Shagari was committed to moving to Abuja prior to the next Presidential elections in 1983. In the 1981 Estimates out of the Federal Share of the Federation Account, N 259 million was budgeted. The Revenue Allocation formula which had been arrived at called for 2.5% of total revenues to be allocated to the development of the Federal capital. Naira 350 million was to be made available according to this formula. Thus the Federal capital was allocated a not insignificant amount out of the estimated revenue for 1981 of N 14.745 billion.

Once Abuja's construction began, the spigot for funds could not be turned off easily. There are many costs associated with Abuja, including the construction of a main access road from Kaduna. There are many problems in coordinating construction. When Nigerian revenues were diminished by the downturn in oil prices in 1981, government determined to press ahead with Abuja nonetheless. It first assumed it would have enough cash to meet commitments. However, when Nigerian oil production fell after a refusal to lower prices until late 1981, there were some delays in paying contractors. (However, Abuja contractors, both internal and external, did better on receiving payments than many others who were owed money by state governments.) The Nigerian government by late 1981 came to the view that credits would have to be sought to finance new contracts at Abuja. But the strong political

commitments of a regime with a political base in the north and among various minority groups led to the continued determination to fund the construction of a capital which would be near the northern center of Kaduna yet would be on neutral ethnic territory, which was a plus for so called minorities people who were neither Hausa, Yoruba nor Ibo.

In the main body of the report, I referred to the military's commitment to building a steel complex. The 1979 price rises for oil enabled the civilian government to push ahead on the steel projects as it did on Abuja. In order to speed up construction, President Shagari located the Steel Development Office in the Office of the President. In the 1981 budget estimates, the steel complex received about 13% of capital spending or about N 1.16 billion. This was about the same as that funding proposed for agriculture.

The steel complex includes the Aladja and Ajaokuta steel mills and mills at Katsina, Jos, and Oshogbo. The development of a steel industry in Nigeria has been a controversial matter. The complex has been criticized for being too costly and for trying to do too much at once. The Aladja complex is a direct reduction plant being built by a German-Austrian consortium. It is near natural gas deposits at Warri but it requires imported iron. The large complex at Ajaokuta is being built by the Soviets and by western private companies. Most observers believe that it will turn out very expensive steel.

Nigeria can consume the steel to be produced by its new plants but it will have to encourage intermediate industries which can use the local steel. The decisions to build the steel complexes

undoubtedly have to be understood in terms of Nigeria's conception, or at least its leaders' conception, of the country as the Giant of Africa. To be modern has been understood as to be industrialized and self-reliant. Steel, it is said, is required for defense needs and for the country to project itself as a major force in African and international affairs. Also, the hope has been to shift the economy to an industrial base while the revenues from the wasting asset can be utilized. But it is hard to escape the conclusion that the construction all at once of direct reduction and blast furnace systems rests on political and prestige concerns as much as on an estimate of economic needs.

Yet Nigeria has not yet pushed ahead with the development of a large natural gas industry. Nigeria is currently flaring gas which represents about 400,000 barrels of oil a day. Apparently, the economics of the development of a gas industry are favorable but the capital costs are very large since exports would have to be almost completely through LNG. The Bonny LNG plant costs have been estimated at $14 billion although it may be possible to have a feasible gas industry at lower cost. The Nigerian Government itself has not pushed ahead to build a gas industry as it has on Abuja and the steel complexes at Aladja and Ajaoukuta. Almost no attention is paid to the gas industry in the Guildelines to the Fourth National Development Plan. In a later statement, of March 1981, the Fourth Plan funding is put off until 1984.

No doubt, the Nigerian Government is worried about making major new funding commitments at a time of falling oil revenue when it is both capital short and the markets for its energy exports look weak. Seeing its revenues and economy tied to seesawing oil prices may make the government wary of massive development for a gas industry. However, since present known gas reserves would almost double Nigeria's known oil reserves in oil equivalents, and since Nigeria's gas provides Europe with an alternative to Soviet and North African gas, the government's gas policy bears more analysis in the future.

The 1978 lesson that oil prices can fall have been learned, to some extent. The 1980 and 1981 budgets have been cautious ones and the 1981 budget provides a reserve of 25 percent of capital expenditures. But the steel projects and new capital city could not be abandoned in mid-stream. One of the major lessons of the post-military period is the difficulty of reversing expenditure commitments made in times of abundant resources. Moreover, aside from large new capital commitments, Nigeria's decision makers faced three other persistent pressures on the expenditure side: the determination to finally begin to fund agriculture; continued demands for defense spending; and revenue allocation problems with the states and local governments.

The civilian budget presented in March, 1980, called for agriculture to receive high priority. Military administrations had claimed that agriculture was a high priority also, but as we have seen, agriculture had received small shares of the military budgets and the allocations had not been spent fully. President Shagari's budget for 1981 increased the capital allocated to agriculture from 11 percent to

13 percent. However, we would have to know how much was actually spent on agriculture and what were the specific breakdowns beyond the increases of 25 percent to the Nigerian Agricultural and Cooperative Bank which now received N 40 million.

The increases in agriculture were supposed to reflect the commitment to a new Green Revolution strategy which was written by a team of Nigerian and World Bank specialists, and which became the model for Nigeria's Fourth Development Plan agricultural approach. This strategy recognized the limited success of past government-operated large farms and encouraged joint private-public concerns. Towards this end, agricultural production and processing has been transferred from Schedule II to Schedule III of the Nigerian Enterprises Promotion Act, allowing foreigners to own up to 60 percent of the equity in an agricultural enterprise. The Green Revolution strategy suggests that the smallholder is the centerpiece of food production. The Green Revolution program calls for the expenditure of N 4.36 billion over a five year plan period. There will be strong economic pressures to invest in agriculture and once funds get into the pipelines in larger numbers there may emerge for the first time in Nigeria a strong bureaucratic pressure group interested in agricultural expenditures. This had been missing in Nigeria as compared to Kenya or Senegal where built up agricultural extension and training services and marketing structures have pushed for more funds to agriculture. It may also be that a civilian regime that must face elections will want to get more funds into agriculture.

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