CHAPTER

6

The Oil Boom Era: Socio-Political and Economic Consequences

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6.1 INTRODUCTION

Commodity costs have for some time been remarkable for their unpredictability, making exceptional economic conditions in major producing nations. One regularly contemplated relationship in such nations is the impact of natural resource booms on non-resource economic activity (Brock, 2014). Nigeria, one of the largest oil-exporting countries in Africa, has a rapidly growing economy; the nation takes after a resource-based development technique driven by the production and exportation of oil. With the instability of worldwide oil prices and frequently unpredictable development of Nigeria's economy, this chapter is intended to inspect the harm of Nigeria's reliance on crude oil and its impacts on economic development. Confronted with higher, quick, and foreseen revenue after 1973, the Nigerian government had a scope of decisions: It could expend the present expansion at a later time, or spread the expanded utilization after some time. In the event that wealth was to be put aside for future utilization, this could be accomplished through expanded interest in foreign assets or local physical capital. The choices on these issues depend on communications between the social rate of time inclination, the relative rates of return amongst physical and money-related resources, and assumptions with respect to oil prices and, thus, future incomes (Pinto, 1987). There is no arguing the fact that Nigeria is the giant of Africa, the rallying point of African politics and economy, the most populous black country on the planet, and she is blessed with various natural resources such as gas, coal, gold, crude oil, etc. In reality, oil exploration and production in Nigeria have taken aggregate control of the economy and it is absolutely impossible to talk about the economy of the nation without offering a plan of action for crude oil. There

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is no chatting of the post-autonomy legislative issues of the nation without specific mention of crude oil. There is no discussing governmental issue of the nation without recognizing the part of oil. At the end of the day, oil is the typical equator or denominator of any talk in Nigeria and has in this way occupied an overwhelming part in both economic and legislative issues of the nation; to put it plainly, the political economy of Nigeria revolves around crude oil (Akinyetun, 2016).

For the past 50 years, oil has maintained a very crucial role in the Nigerian economy. The substantial oil production in Nigeria in the mid-1970s elevated the status of the nation to one of the prominent 10 oil exporters in the world. Since then, Nigeria has been fully involved in the boom cycles of the international oil market. However, several years of oil money have not emancipated the populace from penury nor liberated the economy from what appears to be continual redundancy in the nonoil economy. Is this record the inevitable result of the supposed resource reviles, or have misinformed strategies added to moderate development? The commensurate response has a direction on current policies: Nigeria has reformed its macroeconomic policies recently and has progressively witness quite appreciable economic performance. Traditional clarifications of poor performance in oil-rich nations prompted the supposed Dutch disease, named after Holland's poor record in dealing with its gaseous petrol riches in the 1960s. Spending out of oil riches increases interest for the non-tradable, thus attracting appreciable assets into that sector (Budina, Pang, & van Wijnbergen, 2007).

6.2 NIGERIA AND HER CRUDE OIL PERFORMANCE

Nigeria can be classified as a nation that is fundamentally rustic and that relies on essential item trades, particularly oil items. Since Nigeria's independence in 1960, she has encountered a series of religions and ethnic crises amplified by the huge inconsistencies in educational, economical, and ecological progress in the north and south. These phenomena could not be completely attributed to the actual discovery of oil in the nation, which influences and is influenced by social and economic components. The discovery of crude oil has affected the Nigerian economy both emphatically and unfavorably (Odularu, 2008). Dependence on oil and the charm it produced in relation to extraordinary riches through government contracts also generated economic imbroglio. The nation's high affinity to import indicates that approximately 80% of government consumptions are reinvested into foreign trade. Modest purchaser imports coming about because of a constantly hyperbolic Naira, coupled with extreme domestic production costs due largely to sporadic power and fuel supply, have declined modern limit usage to fewer than 30%. More plants in Nigeria would have come up from moderately low work costs (10%−15%). Domestic producers of materials and pharmaceuticals have lost their contending strength in conventional local markets. However, there are indicators that a few makers have begun to address their grievances. Following the discovery of crude oil by Shell D'Arcy Petroleum, initial production commenced in 1958 from the organization's oil field in Oloibiri in the Eastern Niger Delta. As at the late 1960s and mid-1970s, Nigeria had successfully recorded a daily production level of more than 2 million barrels of crude oil. In spite of the fact that production figures dropped in the 1980s as a result of economic droop, the oil production level sprouted up again in 2004 to a remarkable daily level of 2.5 million barrels (Odularu, 2008).

Advancement in procedures has augmented production to approximately 4 million barrels per day in 2010. The importance of oil export and production to the Nigerian economy cannot be jettisoned. This is because it accounts for approximately 90% of her total income. However, this overwhelming crude oil business has relegated agribusiness, a former backbone of the economy until the mid-1960s to the background. As much as the discovery of crude oil in the Niger Delta is a positive sign in the country, it often flagged a peril of grave outcome; oil incomes lubricated existing ethnic and political pressure and really “copied” the nation. This pressure attained its climax with the civil war that incapacitated the nation between 1967 and 1970. Oil production by joint venture (JV) partners represents approximately 95% of petroleum production in Nigeria. Shell drills approximately 50% of Nigeria’s crude oil and operates the biggest JV partnership in Nigeria, where government holds 55% share through the Nigerian National Petroleum Corporation (NNPC). The other JV partnership where NNPC holds 60% share involves Chevron Texaco, Exxon Mobil, Total, and ENI/Agip.

Crude oil production in Nigeria is characterized by moderately little fields and many wells, with each well delivering in the vicinity of 50 and 50,000 barrels of oil per day of which roughly 65% of the oil delivered is light, sweet crude. In December 1992, the Mobil OSO field came on-stream with a production of more than one hundred thousand barrels per day, which actually was not counted toward Nigeria’s OPEC quantity. Shell is in charge of the greater part of the oil produced in Nigeria (from its approximately 1000 different fields). Before the allocation of recent oil wells, the Shell JV had concessions covering 26,000 km^2 in onshore and swampy regions and 4700 km^2 in its offshore regions. The oil stock of this venture remains at approximately 11 billion barrels, while productivity capacity is more than 1.05 million barrels per day. The Chevron and Mobil JV takes second position, with the Mobil JV producing offshore from Eket in Akwa Ibom state, while Chevron Nigeria Limited is also offshore but with its operational base in Delta state.

Obviously, the same rent-seeker relentlessly attacks the reinvigoration of the local refineries, and thus compelled Nigeria to rely on importation of refined products to provide for its local need. Currently, Nigeria has four active refineries, namely: Kaduna refinery with 110,000 bpd capacity, Warri refinery with 125,000 bpd capacity, and the first and second Port Harcourt refinery with a daily production capacities of 60,000 and 150,000 barrels, respectively. These put together imply that Nigeria had the potential of refining oil in quantities as much as 445,000 barrels per day. In recent years, the oil business has immensely contributed to the Nigerian economy. Their contributions include energy supply to industry and business, increase in government profits and foreign exchange stock, improved gross domestic product (GDP), employment opportunities, and a provision of local consumption of goods and services. Despite the fact that the industry’s value added is also contributing to boosting the nation’s GDP, the latter is not really proportional to economic development. The rise in the oil business’ value is basically a pointer to the critical increment in crude oil production since the end of the civil war and, more particularly, of the remarkable increment in oil prices since 1973, which are indifferent of the level of development of the local economy. The oil sector has been tormented by different issues that undermined its ideal development for decades. However, the petroleum segment of the Nigerian economy in the 1990s was confronted and is still confronted with the following issues: public control and administration, poor financing of investments, communal disturbances (i.e., smuggling and redirection of oil-based goods), fraudulent domestic marketing habits, and products debasement, among others (Odularu, 2008). It could without much of a stretch be seen that Nigeria for all intents and purposes has no control on the export trade. However, there seems to be some rays of hope considering the actions of the federal government in spite of the insecurity of the oil market. It is necessary on the part of government to look for alternative sources to supplement oil as the major source of income. Some areas have been proposed by experts as a solution that can help rescue the present economic circumstance. These are agriculture, mining, and manufacturing (Ijeh, 2010).

The Nigerian oil industry is principally overseen by the government whose operator is the NNPC. The NNPC (which replaced the Nigerian National Oil Corporation—the NNOC), is in charge of research, oil exploration and production, transportation and refining, and marketing of the oil-related commodities. The NNOC earlier set up in April 1971 aimed at taking control of the oil division as stipulated in the 1970—74 development plans. In her ambition and vision to become a key player in the oil business globally, Nigeria registered as a member of the Organization of Petroleum Exporting Countries (OPEC) in July 1971. This was a period when OPEC was working vigorously to influence the exploration of oil of its member countries. Aside from the previously discussed issues associated with oil in Nigeria, oil spills and hydrocarbon contamination are also threats in Nigeria. As indicated by the official evaluations of the NNPC, an average of 2300 m^3 of oil is spilled in 300 separate incidents annually between 1976 and 1996 (Twumasi & Merem, 2006). However, some independent assessments have put the quantity at approximately 10 times higher than the reported values. The destruction caused by spills, especially in the dry land or freshwater swamp regions, is usually worrisome, as it results in negative impacts such as contamination of fishponds and destruction of crops and other sources of livelihood, and these effects remain in the areas for a long period of time. The effects of such loss of business can hinder children's education because their parents may no longer be able to afford the cost of tuition, which could lead to virtual desperation (Twumasi & Merem, 2006).

6.3 SOCIO-POLITICAL CONSEQUENCES

6.3.1 Oil Boom and Corruption in Nigeria

Since oil was discovered in Nigeria c. the 1950s, the Nigerian GDP has been doing pretty well. Approximately 90% of Nigeria's national revenue is generated from the oil sector, and that is the reason government screens this sector in order to keep up their standard in the world market. Because of the reliance of the GDP on oil export, it affects government spending and at the same time makes the government unable to apply exact policies that limit the level of corruption inside the economic framework. Additionally, the communities where the oil wells are dug are experiencing annihilation and low economic viability because the national government has refused to sanction and enforce laws relating to ecological protection against organizations such as Shell Petroleum Development Company (SPDC), Chevron, Mobil, and others that drill oil in the Niger Delta. As reported by Amnesty Program International, 70% of the population in the Niger Delta lives under one US dollar (USD1) per day because of environmental degradation and corrupt leadership, among other factors. These same leaders support the youths in their militant activities, which involves capturing innocent individuals and destroying government infrastructures (Eze, 2015). Corruption in Nigeria is affecting the entire system. Due to the tremendous resources available, government authorities exploit state apparatus to control the national treasury for their own use (Fagbadebo, 2007). Corruption is a crucial issue in Nigeria, particularly in the oil sector. There are cases of oil firms declining to publish their financial statement and reporting the correct data required by the government for appropriate monitoring. The government circulates the figure given to them and persuades the public to trust their financial statement despite the fact that they know that those figures are not valid. Every citizen of this great nation needs to know how much income accrues to the country from crude oil export and how the money is been utilized. Corruption, according to Eze (2015), is the ability to secure influence or riches wrongfully, with the sole aim of gaining secretly at public expense. It has been reported by some economic scientists that corruption has negative impacts on the Nigerian economy. Corruption has infiltrated government parastatals as well as the oil sectors. This practice has spread so much that it looks as if it has been legalized in the nation.

The spread of corruption in the nation can be credited to the prosperity gotten from oil, or how else can one explain that Nigeria, who is a major oil producer, still has a considerably large part of her population living in abject poverty? Nigeria still relies on foreign aids to meet essential obligation (Akinyetun, 2016). Government officials, directors of oil firms, and community chiefs are some of the money embezzlers in the nation. Income from crude oil is not appropriately distributed and checked, and payment to government for the mining of mineral resources are not properly accounted for. Corruption shows in all facets of government activities, for example, in assigning contracts, distribution of benefits, assemblage of public revenues, and legal declarations. Authorities required to perform these obligations partake at one point or the other in abusing the process.

Corruption is self-evident. Nigeria displays a traceable case for comprehending the link that joined political disquietude and corruption. The Nigerian political and economic systems are noted for misuse of office and corruption. According to the National Planning Commission, corruption in Nigeria has varying structures. Notable among these structures are collection of unlawful levy and dues, deceitful exchange, misappropriation of public funds and assets, manipulation of records, bribery, and false oath. Globally, Nigeria is ranked as one of the leading corrupt nations, and this position has belittled her in the comity of nations. Corruption as reported by scholars is worse in comparison with drug trafficking. Corrupt and awful administrations were the two main alibi frequently used by the military to forcefully overthrow the government in Nigeria (Fagbadebo, 2007).

Under normal circumstances, contracts of oil production are supposed to be awarded only to firms that would deliver the job efficiently and effectively, and at the right cost. On the contrary, favorite winners of oil contracts in Nigeria, regardless of their capacity and expertise, are companies that can give awesome reward to government officers. At present, oil production in Nigeria has taken aggregate control of the economy, and most legislative issues in Nigeria are centered on oil. Therefore, oil has become the dictator of the political economy of Nigeria (Akinyetun, 2016).

According to literature, Nigeria is the tenth nation in the world with the largest hydrocarbon reserve and is contributing approximately 4% to oil production in the world. However, despite Nigeria's oil richness and vast income generated from the business, there is no significant difference in the infrastructural development and standard of living of most Nigerians. The major factor responsible for the incomprehensible suffering amidst wealth in Nigeria is the corruption of the Nigerian government.

6.3.2 Impacts of the Oil Boom on Policy Formulation in Nigeria

In 1970, the Nigerian government moved the concentration of its agrarian policies that earlier gave total control of production to state, farmers, and elites such as serving and retired top military officers, the affluent, and bureaucrats, and began to direct production via public proprietorship, indigenization of foreign endeavors, price, interest, and conversion rate controls. Policy that stipulates limitation of specific capitals from certain subsectors is also included. However, in 1986, the policies were changed in consonance with a basic change program forced by the International Monetary Fund (IMF)/World Bank. Thus, appropriations, price, interest, and conversion rate controls, as well as the government's immediate inclusion in production, were reduced (Okolie, 1995). These changes in policies not only resulted from the effects of internal or external powers alone, but also from an intricate connection between them.

The post-1970 agrarian policies must be understood because of the adjustments in the global system of credits. Military rule, centralization, and immense oil incomes, consolidated with a universal credit administration controlled by private banks, created the statist strategies of the oil boom period. In the same vein, the decrease in oil incomes and shifts in the guidelines overseeing access to global credit from 1982 to 83 prompted the movement from the statist policies into management by private production (Okolie, 1995).

Moreover, the Nigerian state is conceded as having little control over the price of its major oil exports and imports, as she is being obliged by universal powers to invert her policies. As farming exports fell while oil production ascended in the 1970s, oil exports developed and accounted for more than 90% of export profit and 80% of the government's incomes. However, the military government mandates were centered on having more resources and power at the center (the federal government) to the detriment of the constituent state (Okolie, 1995). It is noteworthy that political initiative in the framework of this paper alludes not exclusively to the administration or to the authority of an organized state; rather, it embraces the totality of the political class that has impacted the system of government even from behind the scenes. Corruption has been the most despicable aspect of Nigeria's advancement. Unfortunately, the political class and military saddled with the duty of coordinating the affairs of the nation have been the significant leading party in executing this corruption (Ogbeide, 2012).

6.3.3 Oil Conflicts and Conglomerate Politics in Nigeria

More than 20 million individuals from different ethnicity and dialect are residents in the Niger Delta. The genesis of assault and conflict between communities and oil companies in the Niger Delta is dated back to the early 1990s. The history and implications of the oil strife in Nigeria and its effects on the Niger Delta biological systems as well as the national economy are enormous. In 2006, Nigeria was aglow by a blast of assault masterminded by militants against the foreign-owned companies in the oil-rich Niger Delta. Four foreign SPDC representatives were kidnapped in January 2006 by aggressors known as the Movement for the Emancipation of the Niger Delta (MEND). The hostility continued throughout the year, as the activists exploded pipelines, overran offshore apparatus, executed Nigerian officers, and hijacked more than 50 oil laborers. In a bid to stop its war on the oil companies, MENDs requested compensation for the ecological harm caused by the oil business, more control over oil incomes by state government, and enhancement of living conditions in the delta.

Since the oil boom in the mid-1970s, Nigeria's economy has been largely controlled by oil (Omeje, 2012). Oil assets represent approximately 40% of the GDP and more than 90% of foreign trade income. Reports have shown that oil reserves in Nigeria are evaluated at 36 billion barrels, while natural gas reserves are more than 150 trillion cubic feet. Crude oil production in the upstream area in Nigeria is ruled largely by western transnational oil corporations (TNOCs), such as Royal Dutch Shell, Exxon Mobil, Chevron Texaco, Agip, and Total. These oil companies run JV partnerships with the Nigerian federal government, represented mainly by the NNPC and its auxiliaries. The administration holds a 60% value share while the rest are held by multinational oil companies (Omeje, 2012).

The emergence of an oil-dependent economy in Nigeria in the 1970s prompted the disregard of different areas of the economy, particularly the agrarian sector, which used to be the mainstay of the economy. Despite Nigeria's huge oil resources, the World Bank reported that as a result of corruption, 80% of the oil incomes that accrued to the domestic front (i.e., the state and indigenous financier) benefit just 1% of the populace. Since the state has neglected the people and the region, the greater part of the Niger Delta populace, including those who do not have any oil company operating in their locality, seek the oil business for improvement of well-being. Ethnicity and provincialism are critical elements in Nigeria's legislative issues. The Nigerian government and the extensively nationalized oil sector have been overwhelmed by a lax coalition of an ethnic plurality of elites, to the detriment of the majority of the ethnic minorities, including those of the oil-bearing Niger Delta region. Statutorily, responsibility for every mineral resource in Nigeria is vested in the government (Omeje, 2012). All lands as specified by law are state property. Yet, this dubious law is just initiated when the vested economic or political interests of the nation are questionable. The national government appropriates and holds a larger piece of the oil incomes and rents while 13% of the incomes gotten from onshore and offshore oil resources are paid to oil-bearing states in the Niger Delta. Oil-related rents, for example, sovereignties, charges, oil export income, and premiums on JV investments, among others, are the soul of Nigeria's economy. The household spending plan and the enormous import exchange are primarily financed by oil incomes. Groups of the nation's world class, with solid interests in the assignment, allocation, and utilization of oil incomes, command all levels of government (Omeje, 2012). The Niger Delta experiences extreme ecological deterioration because of oil spills, loose environmental governance, government complicity, and continuous marine and air contamination. The nature and ways of accretion among the rentier space—a term used to express the obtaining and controlling of all manner of oil and oil-related assets, including the monetary advantages gotten from them, are the major elements of oil conflict in Nigeria (Omeje, 2012).

The details of an economic policy include the accumulation, adjustments, investigation, outline, and understanding of economic information. The nature of information contribution to policy formation becomes more important to policies that will affect the macroeconomy in the most wanted sector for greater benefit to the economy—whether national, state, or local government. Economic policies are typically detailed to take care of recognized and examined issues that remain between the economy and its objectives over a given timeframe. This obviously differs from the abnormality of self-intrigue and propelled economic policies that are common with maverick governments and pioneers. The enormous increase in oil income as a gain of the Middle East war of 1973 made uncommon and spontaneous riches for Nigeria (Adedipe, 2004). Presently, with a specific goal to make the business condition favorable for new investments, the legislature has included the need to discover riches in socio-economic foundation, particularly in the urban regions. A few policy activities to address the inadequate structure and wasteful aspects were taken, but it is ineffectively actualized and occasionally opposing. Generally, the policy plan seems to react to oil circumstance or endeavor to exploit it. This ordinarily takes the form of "increase expense when oil profit increases so as to keep up with the position, but when there is a plunge in income, search is undertaken for an urgent way out of the crisis" (Adedipe, 2004).

6.3.4 Social Crisis, Governance, and Political Instability

A few variables such as scarce resources, feeble authenticity, and patron-client—or what is regularly referred to in Nigeria as "godfather"—have been identified as some of the causes of political crisis in African states and the third world. Scare resources incite inequality and a frail position in the world economic framework. State control of the finite resources gives room to government officials and politicians to control government spending in order to acquire fortunes. This prompted powerless authenticity, as the citizens lack confidence in their political leaders and to an extent, in the political structure. Engagement in government is low because the subjects see it as irrelevant to their lives. These administration issues have created an evil structure in a domain that induces precariousness in the political system as the people long for the subtle profits of good administration. The National Planning Commission identified systemic corruption as a main hindrance to development. As it has been noticed, the underprivileged are the victims of this deterioration while the ruling class deceptively makes decisions that give them undue advantage over others (Fagbadebo, 2007).

There is broad understanding in and outside government that the IMF and World Bank sold the idea called the Structural Adjustment Program (SAP) to the Nigerian government, and this created severe political and social strains. This unanimity stems, not from concurrence on the requirement for change, but rather from a general impression of developing pressures, estrangement, underestimation of poor people, social rot, a rising remote obligation profile, and flimsiness in the nation to specify a couple of the extending disagreements and weights, which have been produced or emphasized by the execution of the modified program since 1986. Life has turned out to be more difficult, mostly for the poor. Unemployment and inflation have increased to an exceptional level, and pressure within and between classes has been enormous. Several enterprises have shut down. Wastefulness and inefficiency in public organizations have become higher than ever, thus taking corruption in Nigeria to a level that has never been experienced in the nation's history. The foreign obligation profiles are higher than ever, practically quadrupling with alteration at the expense of a general policy of subsidization and the mass drop of workers. The affected regions remain neglected while human rights are infringed upon by political pressure amongst state and society. These are intense issues regularly dismissed by the IMF and the World Bank. However, unlike the IMF, the World Bank in its 1989 report on the sub-Saharan Africa crisis to sustainable growth, revealed that the necessity to guard the poor, legitimize popular associations, and advance regard for human rights, and the democratization of society within the setting of change is important, if any projects are to stay on course or benefit the people (Ihonvbere, 1993). In the opinions of the public and private segments of the Nigerian population, there is an acknowledgment that the boom days are over and that there is an earnest desire to be judicious in the utilization of resources. Some local businesses now depend less on imported inputs for their production processes. Unfortunately, this development is disrupted by the irregularity, untruthfulness, corruption, and wastefulness of the government officials. Moreover, the unmediated usage of the change program with little regard for the specificities and imbalances of the nation has the tendency to dissolve gains and create profound established disagreements and conflicts. Furthermore, the unequal circulation of the gains and agonies of change, the clear disregard of the living standards of the majority, and the suppression of opposition forces have potential to create problems if not properly managed. One of Nigeria's renown economic specialists reported that the disappointment of the SAP program to adequately react to the nation's emergency happened because it failed to consider the sociopolitical and economic substances of the nation. As indicated by him, government authorities did not comprehend what truly matters to SAP. They replicated the economic policies from Europe and America rather than using national policy. This act is the second line of bondage (Ihonvbere, 1993).

With tremendous riches from oil resources andsocio-economic and political prowess, Nigeria is considered as the giant of Africa. However, poor leadership in Nigeria has prompted stagnation, estrangement of the citizenry, and creation of a low level of system influence. It is informative to note that the initiative issue in the Nigerian commonwealth was a sign of the useless example of the times of the military era. The initiative example in Nigeria does not have the important concentration that fits for imparting national advancement or to advance political strength. On the other hand, Nigerian leaders are occupied with their cravings for the allotment and privatization of the Nigerian state. The fall of the Second Republic, for example, was facilitated by corruption and the orderly political wickedness that was rampant in governance. Several authorities likewise tormented the nation with incessant military overthrows and counter-upsets whenever their successors aim to improve the status of the nation (Fagbadebo, 2007).

Great administration could be expert when the operation of government is in accordance with the predominant legitimate and moral standards of the political group. At the point when this is the circumstance, framework influence will be high, and the public would seek to partake in the activities of the state with a conviction that the methods of governance would serve the best interests of the populace. All previous atrocities would be reduced drastically as people's rights would be secured under the rule of law. Political leaders would uphold probity and accountability in governance. However, the case is different in Nigeria. The populace lost confidence in the system because of reckless and careless administration. This problem is more obvious in the Niger Delta where oil exploration has devastated the environment and the people. This region produces the bulk of the resources that sustains the country, yet the people are exceedingly undeveloped and poor (Fagbadebo, 2007). The frustration in Nigeria has led to the emergence of several illegal businesses. For instance, prostitution has increased as young, skantily-clad school girls line the streets or wander about searching for clients. It is not a surprise that more than half a million Nigerians are now HIV infected. High school pregnancies have turned out to be uncontrollable, and quack abortion centers have doubled in the main cities. Child abuse, divorce, matrimonial savagery, murder, and stealing of public properties have all increased in recent time. Nigerians began to crave for junks for nourishment and second-hand apparel and cars among others, in order to adapt to the torments of change. Public transportation turned out to be extremely expensive because of the shortage of spare parts and the irregular supply of fuel. The elites abandoned their official vehicles because of cost of maintenance while the clinics and hospitals are in a pitiable condition (Ihonvbere, 1993).

The Niger Delta's predicaments have constituted an overwhelming issue in Nigerian political, social, and economic discussions. Before independence, the minority groups of Nigeria have expressed fears of the possibility of being marginalized by the dominant ethnic groups in Nigeria. It was this agitation that prompted the setting up of the Sir Henry Willinck Commission of 1957. However, the outcry then was silenced after being guaranteed that there would be consideration for them in the constitution. A couple of years after the nation's freedom, it became obvious that the fears earlier expressed by the minorities, particularly those of the oil-producing Niger Delta, were genuine. They have protested that the entitlement that should accrue to them as the oil-producing region have not been fully allotted to them.

6.4 ECONOMIC CONSEQUENCES

6.4.1 Effect of the Oil Boom on the Nigerian Economy

Crude oil provides a major source of economic rent to a nation, since oil products could be sold at a value that far surpasses its cost of extraction. Some researchers have disclosed that an economy with abundant resources will seek more rents than those with little resources. In Nigeria, for instance, oil riches have been identified to be one of the primary drivers of the rent-seeking activities and corruption. The oil boom of the 1970s was responsible for the emergence of disorderliness in Nigeria. There was a remarkable increase in the foreign exchange earnings during the oil boom era in Nigeria. However, the utilization of oil boom resources in funding some laudable public projects in Nigeria was characterized by political corruption. Also, there was a drastic reduction in the implementation of numerous investment projects, which led to an increase in negative rates of return (Mohammed, 2006). The nation's major productive base includes the farming, production of crude oil, and different hydrocarbons and is said to represent more than 90% of foreign trade and 75% of employment. Five years ago, Nigeria's economy improved by an average of 7%, and this improvement was facilitated by the oil sector, which represents more than 30% of the total national output and 70% of all export. Since oil price began to fluctuate, there has been a great deal of focus on what should be done to guarantee consistent development in the oil sector in Nigeria regardless of the status of the world market. Due to instability in oil prices and Nigeria's over-reliance on oil, numerous economic analysts have raised concern about the fate of the economy of Nigeria in the nearest future. With more than 65% of Nigeria's income originating from oil since the last decade, Nigeria's monetary policy remains intensely impacted by the oil business and its unpredictable development (Igberaese, 2013).

Subsequently, Nigeria's income decreased when oil prices fell after the boom. The increase in oil prices from 2005 to 2008 reflected an increase in revenue and expenditure for the Nigerian government. However, the world financial crisis in 2009 prompted a fall in world oil prices, and this development also caused Nigeria's income to fall. The impacts of oil on Nigeria's GDP and export are influenced by the world oil prices. The principle of comparative advantage became irrelevant because adjustments in production did not influence the economic development. However, the values of oil exports often dictated by oil prices have impacted the economic development in Nigeria (Igberaese, 2013).

6.4.2 The Global Fall in Oil Price

Globally, the oil price fell by more than 40% at $115 a barrel. It is presently below $70 per barrel. Several oil-exporting nations such as Russia, Nigeria, Iran, and Venezuela are affected by this price declination. *The Economist* magazine reported that oil-producing nations whose financial plans rely on high costs of crude oil are stuck by an unfortunate situation. As a result of the current oil crisis, Nigeria has been compelled to raise interest rates and devalue the Naira, while Venezuela looks nearer and nearer to defaulting on its obligation (Adamu, 2015). The oil crisis has re-occurred over time. For instance, the two oil crises in 1973 and 1979 are confirmations that it should not be the only dependent sector for Nigeria. In a bid to alleviate the oil crisis, the OPEC was formed in September 1960 to control oil transactions between member states. Nigeria became part of OPEC in 1971. However, currently, there has been a whirl of contentions concerning the conceivable causes of the fall in oil value. A few analysts have noticed that the fall in oil value emerged from US refinery support, OPEC inaction, penetration of world oil production by oil nations that are not part of OPEC, and the irregular actions of some members of OPEC. In addition, financial crimes are also recognized as one of the causes of the oil price fall in

Nigeria. This is so because organizations would still maintain their extravagant way of life even during the crash period of oil price in the world. And by so doing, the directors and executives of such organizations are forced to carry out activities contrary to the organizations' policies (Ogochukwu, 2016). This fall in oil price has influenced the Nigerian economy greatly. To reduce the effects of the fall in oil price on the Nigeria economy, the present Central Bank of Nigeria's Governor, Godwin Emefiele, commenced a severe change in the banking sector in order to stabilize the economy. For instance, to guarantee a proper control of the financial sector in Nigeria, the Central Bank of Nigeria, in a report delivered on the November 21, 2015, advised three commercial banks to recapitalize when they could not meet the base capital ampleness rate of 10% before June 2016. The oil price fall crisis occurrence had in reality influenced the Nigerian economy by causing lack of funds for financial services. Currently, it has been revealed by the banks that few oil marketers owed some Nigerian banks approximately 5 trillion Naira. This is harmful to the financial institutions in Nigeria and could subject them to liquidity and the inability to pay their staff's salaries. It could also lead to massive retrenchment of staffs and thus contribute to the already outrageous unemployment situation in Nigeria. The fall in oil price also affects the budgetary issue for the oil sector and the capital market because of their connection to the financial world and the Nigerian banks. Moreover, another effect of the oil price fall is currency devaluation, which causes inflation. Costs of services, merchandise, and commodities have increased and are still increasing. Importation also turns out to be more costly because more Naira will pursue the few accessible Dollars. This situation aggravated the problems faced by the Nigerian economy. To control the effect of this oil price fall, administrative measures to alleviate the impacts on the economy are a necessity because only a preserved and stable macroeconomic environment and a sound and lively financial framework can drive the economy to accomplish its national desire to become one of the 20 biggest economies in the world by the year 2020 (Ogochukwu, 2016).

6.4.3 Impacts of Oil Shock Susceptibility in Nigeria

The easiest measure of any economy is the GDP, which comprises the estimation of all merchandise and enterprises recorded in a given year. The economy comprises not only the sectors in a country but also the organizations and administrators of both sectors and the resources (both natural and human). The federal, state, and local governments through their yearly spending plans, run different sectors of the economy. The success of the operation of the petroleum sector depends on the economy and vice-visa. Every sector is financed in the national budget, and the commitment of the sectors in any given year makes up the annual spending plan. The oil business has had both positive and negative effects on the Nigerian economy. However, there has been more negative than positive effects because of poor execution of government policies (Ijeh, 2010). From the economic point of view, the everyday prices of oil might be dictated by free market strengths; however, sharp shifts in price level are basically influenced by political factors. An example of this is the politically induced chaos in the Middle East where stealing of the crude oil supply is common. Oil price shocks occur due to low price elasticity of demand and supply. The consequence of this is that price variety is required to clear the market, that is, to shift the market towards an equilibrium point. Crude oil price fluctuation is usually low, particularly in the short run. This is because it takes some time before the expending apparatus or capital stocks are supplanted with more-productive substitutes. Nonetheless, substitution happens in the long run, and price fluctuation is substantially bigger. In any case, price elasticity is still less than one (Ibrahim, Asekomeh, Mobolaji, & Adeniran, 2014). Generally, oil prices have been more unpredictable than any other products or resource since World War II. The pattern of interest and supply in the world economy, coupled with the activities of OPEC, influences the price of oil. The current changes in oil prices in the world economy are very fast and unusual. This is mostly because of increased request of oil by China and India. The significant fluctuation of oil prices has induced incredible difficulties for policymaking. The transmission instruments through which oil price have effected genuine economic activity are traceable to both demand and supply channels. The supply reactions are identified by the fact that crude oil is a fundamental contributor to production, and therefore an increase in oil price prompts a corresponding increase in production costs that would compel firms to lower yield. Oil price changes also involve demand reactions on utilization and investment. On average, crude oil prices have increased from USD25 per barrel in 2002 to USD55 per barrel in 2005. The increase in oil prices had a temporal potential of conflicting effects on world demand and development (Oyeyemi, 2013).

The assessment of the outcomes of oil price shock on development in Nigeria is pertinent. As a small open economy, Nigeria has no genuine impact on the world price of oil, although it is incredibly affected by the impact of oil price instability both as an exporter of unrefined petroleum and shipper of refined oil-based goods. Therefore, it implies that change (increase or fall) of oil price in the world benefits or hurts Nigerian economy. Fundamentally, the essence of the issue lies in the fact that Nigeria has solely depended on this commodity throughout the years, thus making her a mono-commodity economy. In 2008, when oil price tumbled from a pinnacle of $147 to approximately $37.81 per barrel, the Nigerian budget was reduced in terms of income and expenditure. These cuts had consequent impacts on all sectors of the Nigerian economy. Oil price has been found to have had a more blunt impact on the conversion rate of the Naira than any other economic variable. This is due to the fact that profit from crude oil sale represents a substantial piece of Nigeria's foreign exchange, estimated at approximately 90% (Oriakhi & Iyoha, 2013). Over-dependence on crude oil by the Nigerian government has led to complete abandonment of nonoil sectors, and this has made her defenseless against the impulses of the global oil market.

The Nigerian government and private individuals prefer to go for the quick return on investment obtainable in the petroleum sector instead of moderate income in the agricultural sector and solid minerals. The business sectors for oil and oil-based commodities were more appealing worldwide than the market for nonoil-based goods. Research conducted by the Geological Survey Department of Ministry of Solid Minerals, the Raw Materials and Development Council, the Nigerian Mining Council, and the National Steel Council, revealed that Nigeria has several mineral assets of commercial quantity that could be exploited for export and for local uses as an approach to diversify the economy from total dependence on crude oil. Policy thrust in the past centered on crude oil until the Ministry of Solid Minerals was established in 1995. In spite of this, financial constraints are responsible for the very little progress that has been made by the ministry in exploring the substantial stock of bitumen found in four states of the federation (Ijeh, 2010). The Niger Delta states, namely Rivers, Edo, Delta, Bayelsa, and Akwa Ibom, have been identified as the heart of crude oil production in Nigeria. The effects of oil on the Nigerian economy cannot be isolated from the effects of the sector on the Niger Delta and vice-visa. Various crises have occurred among the stakeholders, the Nigerian government, oil companies and oil-bearing communities in the Niger Delta over oil-related issues. In order to have a peaceful environment, government over the years has set up boards and commissions to investigate the activities of oil companies in the Niger Delta and the challenges faced by the indigenes. Some of these bodies are: the Oil and Mineral Producing Areas Development Commission (OMPADEC), the Clean Nigeria Association (CAN), the Niger Delta Development Commission (NDDC), among others, to handle some key issues affecting the Niger Delta. However, the problem of the Niger Delta is not a lack of policy but poor policy execution.

6.4.4 Oil Boom in Nigeria: Dutch Disease or Debt

The resource curse occurs when nations with more natural resource endowment develop slower than nations that are poor in resources. One impact could be an increase in the real exchange rate of an economy brought about by an ascent in exports taking after a resource boom, otherwise called Dutch disease. Despite Nigeria's natural resource wealth, there is no tangible economic development. Nigeria's real GDP development rate is estimated at 1% per annum since 1960 as compared to Botswana, another resource-rich sub-Saharan African economy, which has maintained an economic development of 7% yearly since 1960. Some scholars are of the opinion that resource waste and corruption in Nigeria are responsible for such low developmental rates and therefore suggested that instead of Dutch illness, the most appropriate term for Nigeria's predicament is "resource curse." Another school of thought identified the instability of spending as the variable obstructing development. Instability can be viewed as an expense on investment. Investment requires irreversible choices; just like capital, once introduced, cannot be moved to a different sector. To clarify high instability in oil-rich countries, it has been reported that nations with many resource rents but with less savings are probably going to overspend in great years, and under-alter in awful years. Governments such as that in Nigeria are thought to be particularly defenseless against what amounts to overgrazing the commons (Budina et al., 2007). However, the GDP development rate in Nigeria has changed from 1% to 5% per annum from year 2000 to 2008 (de Wit & Crookes, 2013).

According to Harm (2008), a real appreciation in the domestic currency may reflect an increase in the relative price of non-tradable goods. The reason for this price increase may be an exogenous increase in the available gross national income, which is the outcome of raw material findings. Although such temporal gains are generally regarded as a blessing, they can have a negative impact on the economy in the medium and long term, and this is referred to as the Dutch disease. The term *Dutch disease* was first used by economists in describing the problematic structural consequences of the reduction of natural gas in the Netherlands during the 1960s. The term *Dutch disease* suggests that such a development is to be assessed negatively. It should not be forgotten that the real cause of the changed production pattern is an income gain (Harm, 2008). There has been an argument that the so-called "resource curse" causes poor growth and raises the intensity of incidence and duration of conflict in oil-rich countries. While oil resources have for quite some time been viewed as beneficial to economic and political advancement in a nation such as Nigeria, the current poor economic performance of oil exporters and the frequent occurrence of civil wars in mineral-rich economies have brought about global rethink that the resource wealth earlier attained might be to a greater degree a curse than a blessing. A few analysts have evaluated that oil exports are positively correlated with the onset of civil war whereas others reported that oil export is fundamentally connected with a subset of civil wars, precisely, secessionist wars. Since oil economies have the most elevated amounts of rents that are accessible in the economy, the contention for the legitimacy of the resource control and political brutality interfacing in such economies is significant to cases that mineral resource rents promote armed rebellion in less-developed nations. The thoughts that rebels can do well out of war was proposed as a more persuading clarification as regards the onset of contention than sociopolitical grievances, salary, resource imbalance, and ethnic competition or the truancy of a vote-based system. Natural resources offer revolt groups a subsidizing opportunity since they could create rents within their area and easily plundered resources on a continuous basis. The thought that the presence of oil rents produces more conflict agrees with the prevailing theories of rent seeking (Deacon & Rode, 2012). Rent seeking can extensively be related to activities that try to make, keep up, or change the rights and foundations on which specific rents are based. Since oil rents often give them salaries that are higher than what would have been earned in an ideal enterprise, more motivators are added to make and keep up these rents. Rent seeking can be conceptualized as actions ranging from bribery, political campaigning, and taking up of arms. Actually, a critical issue is the degree to which a non-booty resource such as oil exposed oil-subordinate states to based revolt, and therefore results into destructive types of rent seeking (Deacon & Rode, 2012). A common reference point of poor management of wealth in oil-rich countries is the purported Dutch disease, named after Holland's poor record in dealing with its gaseous petrol riches in the 1960s. Nevertheless, there may be an error in naming Nigeria at present as another kind of Dutch disease. This is simply because for the past 20 years, there have been serious unemployment issues in Nigeria—a characteristics that cannot be associated with a Dutch disease. Nigeria has had times of both disproportionate spending and underspending and recently began execution of a smooth policy. As long as that policy is kept, there will be no real Dutch disease problem now or in the nearest future (Budina et al., 2007). Besides the above-mentioned issues, there are other challenges that could prompt the description of Nigeria as another case of an oil-rich country surrendering to the Dutch disease. Specifically, high spending out of what is a fundamentally tradable resource has led to low development and battles for rare resources, thus drawing labor and capital out of the innovative sectors. The fact in this clarification is that there is a resource shortage that outweighs variable prices. Generally, increments in non-innovative activities can be met without a decrease in the innovative sectors. So, that is where the description of Nigeria as a Dutch disease victim came from (Budina et al., 2007).

6.5 CONCLUSION

The issues about poor growth of the national economy and political insecurity in Nigeria were aggravated by poor administration and corruption. Corrupt and clumsy administrations as well as a severe domestic sociopolitical environment have done great harm to Nigeria. Many times, decisions are made by the government, not according to what the people desire, but rather on what the leaser countries and world financial organizations prescribed. An educated common society is important to adjust the power of the Nigerian State. This could be a panacea for the wrong use of power by public authorities and therefore would engender mental re-orientation towards making a significant positive advancement (Fagbadebo, 2007). It is our conviction that structural change is critically required in Nigeria in order to cut waste, revive the economy and production, invigorate reserve funds, and rebuild economic relationship with foreign markets. However, for the above to be achieved, certain internal and external policies must be set up. For example, the Bank must understand that all African nations are not the same (Ihonvbere, 1993).

6.6 RECOMMENDATIONS

- There is a need to diversify the productive base of the present economy by giving appropriate concentration to other sectors, which include agriculture, manufacturing, and tourism, in order to open up an expansive range for inflow of revenue to the government treasury.
- There is an urgent need for the Nigerian government to begin to correct her past policies so as to eliminate hazard impacted on the system by oil and thus save the Nigerian economy.
- Finally, adequate attention should be directed towards engaging in laudable projects that will meet the basic needs of the people as well as guarantee their well-being.

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