AN ECONOMETRIC STUDY OF THE CONTRIBUTION OF OIL SECTOR TO THE STANDARD OF LIVING IN NIGERIA -1975-2008

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ABSTRACT

This paper delved deeper into the econometric analysis of the extent to which oil revenues has affected standard of living in Nigeria. The study used quasi-experimental research design approach and time series secondary data for the data analysis. The time series secondary data used for the study were tested for stationarity and co-integration and were processed by an E-view for windows econometric packages. The multiple regression results showed a significant and negative relationship between oil revenues and standard of living in Nigeria. The study confirms the existence of growth without development and 'Dutch disease' in Nigeria. Our findings and conclusion support the need for the government to be more transparent in accounting and reporting the revenues accruable from oil. In complement of the above, there is need to revisit the revenue allocation formulae and give preference to the grassroots where poverty is more pronounced. More generally, the Nigerian policy makers should focus attention on poverty reduction policies and strategies and embark on even distribution of the national income through wage legislation and taxation.

Key Words: Oil revenues, standard of living, Economic growth, Dutch disease, income distribution and policy makers

INTRODUCTION

Prior to the discovery of oil and the oil boom of 1973, agriculture was the dominant sector of Nigerian economy, contributing about 70% of the Gross Domestic Product (GDP), employing about the same percentage of the working population, and accounting for about 90% of foreign earnings and Federal Government revenue. During this period, Nigeria was a major exporter of cocoa, cotton, palm oil, palm kernel, groundnuts and rubber, and in the 1950s and 1960s, 3% – 4% annual output growth rates for agricultural and food crops were achieved. Government revenues also depended heavily on taxes on those exports. Thus, during the period, the current account and fiscal balances depended on the agricultural sector. This pattern changed when oil suddenly became of strategic importance to the world economy and Nigeria became an exporter of crude oil. Consequently, between 1970 and 1974, agricultural exports as a percentage of total exports declined from about 43% to slightly over 7%. The major cause of this development was the oil price shocks of 1973 – 1974 and 1979, which resulted in large receipts of foreign exchange earnings by Nigeria and the neglect of agriculture.

Crude oil was first discovered in commercial quantities in Nigeria in 1956, while actual production started in 1958. On-shore oil exploration accounts for about 65% of total production and it is found mainly in the swampy areas of the Niger Delta, while the remaining 35% represents offshore production and involves drilling for oil in the deep
waters of the continental shelf. Nigeria has proven reserves of about 37 billion barrels of predominantly low sulphur light crude, which at current rate of exploitation could last another 38 years. The intention is to expand the reserves to 45 billion barrels and production capacity to 4 million barrels per day (mbd). The massive increase in oil revenue as an aftermath of the Middle-East war of 1973 created unprecedented, unexpected and unplanned wealth for Nigeria.

This scenario resulted to rural-urban migration. The relative attractiveness of the urban centers made many able-bodied Nigerians to migrate from the hinterland, abandoning their farmlands for the cities and hoping to partake in the growing and prosperous (oil-driven) urban economy. This created social problems of congestion, pollution, unemployment and crimes. The national currency, Naira, strengthened as foreign exchange inflows outweighed outflows, and foreign reserves were built up. Up until 1985, the Naira was stronger than the US Dollar. This encouraged import-oriented consumption habit that soon turned Nigeria into a perennial net importer, which became a major problem when oil earnings decreased with lower international oil prices. External reserves collapsed, fiscal deficits mounted and external borrowing ensued with the “jumbo loans” taken in 1979. Most of Nigeria’s macro-economic indices became unstable and worrisome.

The Problem and the Objective of the Study

Nigeria is the largest oil producer in the Sub-Saharan Africa, the fifth largest petroleum exporting country in the organization of petroleum exporting countries (OPEC), and the fifth largest oil exporting country to the United States, amounting to about 8% of US crude oil imports. Nigeria produces 30% of the total oil production in the African region. Oil revenues have historically provided about 95% of Nigeria’s foreign exchange earnings and about 85% of federal revenue. The source of Nigeria’s wealth, the Niger Delta, a wetland of about 70,000 sq. km. and the entire people of Nigeria remain poor despite the oil boom, than the universal poverty average. As of today, 55 years after, Oloibiri is referred to as fossil town because there is nothing to show that the town opened the door to the international oil market for Nigeria. The only historical relics there are an old signboard marked “Oloibiri Oil Well” with over-grown bush. Oloibiri has no roads, no hospital, no electricity and no water supply after 55 years of oil record. More importantly, evidences in Nigeria show that the number of those in poverty has continued to increase with the increase in oil revenue. For example, the number of those in poverty increased from 27% in 1980 to 46% in 1985; it declined slightly to 42% in 1992, and increased very sharply to 67% in 1996. By 1999 when Obasanjo came to power, estimates had it that more than 70% of Nigerians lived in poverty. That was why this government declared in November 1999 that the N470 billion budgets for year 2000 was “to relieve poverty.” The bad road network and the acute shortage of electricity supply is all the more worrying. Thus, despite the huge oil revenue, the living standard of the people in Nigeria has failed to improve. The economy has been characterized by infrastructure inadequacy, low income, high level of poverty, high mortality rate, poor accommodation, malnutrition and high level of water born diseases. With these features, the hope of achieving a sustainable living standard continued to diminish. This fundamental paradox of poverty in the midst of wealth forms the background for this study. The aim and objective of this paper therefore, is to determine the extent and the magnitude of the contributions of oil sector to the standard of living of Nigerians. The paper is therefore organized as follows. Following the introductory section, Section 2 reviews the literature. The methodology of the study is discussed in Section 3. An econometric analysis of the contributions of oil sector to the standard of living of Nigerians is considered in Sections 4. Finally, Section 5 presents the summary and conclusions of the paper.

LITERATURE REVIEW

The contributions of oil sector to the standard of living have scanty literature. Most of the authors that wrote on the issues of oil, concentrate their attentions on the implications oil price shock on the economies of both oil and none oil producing nations.
An overall overview of cross-country analytical studies published to date reveals that the contributions of oil sector to the standard of living has rather been significantly negative, both in terms of environmental damages done and the lack of impact of huge oil revenues on people’s welfare. Authors like Emmanuel (2004), Adeyemi (2004), Osuntogun, Edordu, Oramah (1998), Oyegun (1997; 1998) Kinako (1996), and Odu (1996) and Ross (2004) have made substantial contribution to knowledge in this area.

Emmanuel (2004) traced the revenue that was generated from the sale of crude oil in Nigeria between January 2001 and March 2004 in millions of US dollars. He found lots of inconsistencies and discrepancies in the reports published by different government agencies such as Central Bank of Nigeria, Nigerian National Petroleum Corporation and Accountant General of the Federation. Whereas the Central Bank of Nigeria reported US $22.3 billion, Nigerian National Petroleum Corporation reported US $21.9 billion and the Office of the Accountant General of the Federation reported US $20.5 billion. From the above values, one can see that the cumulative discrepancies between the three series are significant. The inconsistencies discovered suggested that the oil revenue must have been mismanaged. And rather for the government to utilize these revenues to cater for the welfare of the people, the major part of it was stolen. According to Emmanuel (2004) the people of the Nigeria remains poorer than the international poverty average despite the huge revenue generated from oil. Estimates had it that more than 70% of Nigerians lived in abject poverty. The country is still characterized by infrastructure inadequacy, low level of income, high level of poverty, high mortality rate, poor accommodation, and malnutrition and high level of water born diseases after 55 years of oil record.

Adeyemi (2004) in his own contributions viewed the oil exploration as a damaging instrument rather than for it to be a contributing factor to the welfare of the residents. Whereas activities such as flaring of natural gas and seismic surveys constitute great damages to the environment, more far reaching environmental destruction result from oil spillage. Soil, plants, animal and water resources are adversely affected, usually because of the toxicity of oil. This view was collaborated by Kinako (1996), and Odu (1996) who argued that the resultant environmental problem arising from oil spillage is well above the benefits that are derived by the resident especially the in the Niger Delta areas.

To Osuntogun, Edordu, Oramah (1998), the oil boom rather than contributing positively to the living standard has afflicted the Nigerian economy with the so-called “Dutch disease”. The Dutch disease phenomenon used to analyze the effects of commodity booms in terms of “spending” and “resource movement” effects (Harberger, 1983). Following Pinto (1987), he examine the Nigerian case by abstracting from the resource movement effect since the oil sector can be considered to be a separate enclave (or its own capital, labour and technology; that is, it does not compete with the non-oil sector for resources. According to Pinto (1987), the “spending effect” operates as follows: in the non-oil economy, both tradable and non-tradable are produced (tradables are used here to refer to tradable other than oil). Let \( r \) denote the relative price of tradable to non-tradable (the real exchange rate). Assuming tradable and non-tradable are normal goods, the demand for both increases following a rise in real income associated with the oil boom. Equilibrium can be described solely in terms of market clearing for non-traded goods, for which domestic demand must equal domestic supply. The excess demand for non-traded goods that arises following the boom can be eliminated by a rise in their relative price, that is, a fall in \( r \) (real exchange rate appreciation). This draws resources out of the tradable sector into the non-tradable sector, so that non-tradable output rises and tradable output falls. The consequent decline in the tradable sector is what is called Dutch disease. It is accompanied by real depreciation, that is, a rise in \( r \). As pointed out by Pinto (1987), there is, strictly speaking, a “Dutch disease” since with the boom the economy does not attain a higher level of consumption and welfare.

Before concluding the argument on 'Dutch disease', Ross (2004) supported the presence of 'Dutch disease’ in Nigeria in terms of the distributive consequences of oil revenues. According to him, the most important Dutch disease effects can be linked to the crowding-out of agricultural and manufacturing exports. Any crowding-out of labor-intensive sectors can have adverse distributional consequences. A booming agricultural or manufacturing
sector provides many economic opportunities to low-skill workers. Whereas a booming petroleum sector offers them few opportunities, except through government transfers or rent-seeking. When a booming petroleum sector crowds out agriculture or manufacturing exports, the opportunities for the poor could drop sharply.

**METHODOLOGY AND MATERIALS**

**Research Design and Strategy**

Research design is the structure and strategy for investigating the relationship between the variables of the study. The research design adopted for this work is the experimental research design. The reason is that experimental research design combines the theoretical consideration with empirical observation. It enables a researcher therefore to observe the effects of explanatory variables on the dependent variables.

**Population of the Study**

The study will cover the years 1975 – 2008 which is a period of thirty (33) years. This period is believed to be long enough to capture the long-run relationship between oil revenue and the standard of living in Nigeria.

**The Model**

To determine the model of the living standard on oil sector, we first consider a utility function model: 

\[ U = u(X_1, X_2) \]

Where \( U \) denotes the size of the satisfaction derive from the consumption of certain goods \( X_1, X_2 \). If we denote \( U \) as per capita income and \( X_1, X_2 \) as revenue from oil, we can specify that the standard of living of the masses in Nigeria depends on revenue from oil. That is:

\[ PCI = \gamma_0 + \gamma_1 \text{oil} \]

Where \( \gamma_1 \text{oil} \), is the revenue from oil. Since Nigerian economy depends on revenue from oil, we can hypothesize that \( \gamma_1 \) is positive. To grasp the relevance of this specification to the objective proposed in this paper, we incorporate some other variables that determine the living standard such as Infrastructure, Nominal Exchange Rate, Gross domestic output, Savings, Oil Revenue and wages and specify the following living standard regression model:

\[ PCI = f (\text{INFR}, \text{NEXCH}, \text{GDP}, \text{SAV}, \text{OIL REV}, \text{RWAG}) \]

Where:

- \( PCI \) = Per Capital Income as a proxy for the living standard.
- \( \text{INFR} \) = Infrastructure such as road, water supply, power supply etc,
- \( \text{GDP} \) = Gross Domestic output
- \( \text{NEXCH} \) = Nominal Exchange Rate
- \( \text{SAV} \) = Savings
- \( \text{OIL REV} \) = Oil Revenue
- \( \text{RWAG} \) = Real Wages

Equation 3 could be expressed in a linear form as:

\[ PCI = \gamma_0 + \gamma_1 \text{INFR} + \gamma_2 \text{NEXCH} + \gamma_3 \text{GDP} + \gamma_4 \text{SAV} + \gamma_5 \text{OIL REV} + \gamma_6 \text{RWAG} \]

Econometrically, to include random term, the model is expressed as:

\[ PCI = \gamma_0 + \gamma_1 \text{INFR} + \gamma_2 \text{NEXCH} + \gamma_3 \text{GDP} + \gamma_4 \text{SAV} + \gamma_5 \text{OIL REV} + \gamma_6 \text{RWAG} + \mu_t \]

This model implies that the living standard of Nigerians will negatively or positively be related to Infrastructure, Nominal Exchange Rate, Gross domestic output, Savings, Oil Revenue and real wages.

**The A Priori Expectation of the Model**

In line with utility function function, oil revenue is a national cake parameter that to a large extent; theoretically determine the standard of living of the Nigerian citizens. Thus oil revenue is expected to have positive impact on the standard of living. A proper management of oil revenue and its effective allocation leads to improvements in the consumption pattern
and living standard of the people. It consequently results in higher per capita income and purchasing power. Thus we expect a positive relationship between oil revenue and the standard of living.

The oil revenue when properly utilized and evenly distributed will cause substantial improvement in the provision of social and economic infrastructure and consequently improve the standard of living. In addition to this, the increase oil revenue has the capacity to cause an increase in the real wage and this tends to increase the savings also. The positive changes in these variables have the potential to cause positive and tremendous changes in the standard of living. For the gross domestic output, there is a direct link between it and oil revenue. Increase in oil revenue will automatically cause the GDP to grow and consequently increase the supply of foreign exchange. When the supply of foreign currency increases, the exchange rate will appreciate in favour of the local currency. Theoretically, an appreciation of exchange rate will lower the cost of living and raise the standard of living. Thus there is a transmission mechanism of oil revenue through GDP, infrastructure, exchange Rate, Savings, real wages to the living standard.

Type and Sources of Data

Secondary data were used for this study. The data were obtained from the publications of the Central Bank of Nigeria, African Development Indicators, website, Journals and Newspapers. The data collected are: Infrastructure, Nominal Exchange Rate, Gross domestic output, Savings, Oil Revenue and real wages.

Data Processing Technique

In this study, our empirical investigation consists of three main steps. First, the Phillips-Perron (PP) tests of stationarity (1988). Second, is the Johansen test of coin-integration (1988, 1991) and third is the error correction mechanism analysis. The empirical study uses a simulation approach to investigate the theoretical relationship between oil revenues and the standard of living in Nigeria. The secondary data were processed using E-view for windows econometric packages. The E-view is preferred to SSPS because it enables us to correct the serial correlation in the data. The study employs Error Correction Mechanism (ECM) to overcome the problem of spurious regression. The ECM reveals that the change on a variable, at times, is not only dependent on the variable, but also on its own lagged changes. This enables us to induce flexibility by explaining the short run and long run dynamics in a unified manner.

DATA ANALYSIS, RESULTS AND DISCUSSIONS

Stationarity and Co-integration Test

Table1: Analysis of Stationarity Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Test statistics</th>
<th>Critical Value</th>
<th>Level of significance</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCI</td>
<td>6.7379</td>
<td>6.737935</td>
<td>1%</td>
<td>1(0)</td>
</tr>
<tr>
<td>OILREV</td>
<td>-3.222553</td>
<td>-3.0038</td>
<td>5%</td>
<td>1(0)</td>
</tr>
<tr>
<td>GDP</td>
<td>3.7988</td>
<td>-3.7667</td>
<td>1%</td>
<td>1(0)</td>
</tr>
<tr>
<td>NEXR</td>
<td>-3.6079</td>
<td>-2.9969</td>
<td>5%</td>
<td>1(0)</td>
</tr>
<tr>
<td>SAVR</td>
<td>-3.783748</td>
<td>-3.752946</td>
<td>1%</td>
<td>1(1)</td>
</tr>
<tr>
<td>INF R</td>
<td>-3.010676</td>
<td>-2.9918</td>
<td>5%</td>
<td>1(0)</td>
</tr>
<tr>
<td>RWAG</td>
<td>-4.077564</td>
<td>-3.7667</td>
<td>1%</td>
<td>1(0)</td>
</tr>
</tbody>
</table>

SOURCE: Computed by the Authors June, 2011

Table1 shows the summary of the unit root test of the variable used for empirical study. The test shows that; Per capita income (PCI), Oil Revenue (OILREV), Gross Domestic Product (GDP); Nominal Exchange Rate (NEXR); Infrastructure (INFR) and real Wage were stationary in levels at 1 percent, 5 percent, 1 percent, 5 percent, 5 percent and 1 percent level of significance respectively. Saving Rate (SAVR) was stationary in the first difference at 1 percent level of significance. A variable is stationary (has no unit root problem) if the test
statistics is greater than the critical value in absolute terms. The term 1(0) indicates at levels, 1(1) indicates first difference and 1(2) represents second difference.

The next step after finding out the order of integration was to establish whether the non-stationary variables are co-integrated. Differencing of variables to achieve stationarity leads to loss of long run properties. The concept of co-integration implies that if there is a long run relationship between two or more non-stationary variables, deviations from this long run part are stationary. To establish this, Engel Granger’s two-step procedure was used. This was done by generating residuals from the long run equation of the non-stationary variables, using DF and ADF tests. The residuals were found to be stationary for the model.

The Regression Results and Discussions

The results of the data analysis and estimation were obtained using the parsimonious error correction mechanism. This is presented in table 4 below:

Table 4: The Regression
Dependent Variable: PCI
Method: Least Squares
Date: 07/20/11 Time: 18:45
Sample(adjusted): 1988 2010
Included observations: 23 after adjusting endpoints

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-563.5627</td>
<td>127.9166</td>
<td>-4.405704</td>
<td>0.0017</td>
</tr>
<tr>
<td>INFR</td>
<td>0.381537</td>
<td>1.106002</td>
<td>0.344970</td>
<td>0.7380</td>
</tr>
<tr>
<td>INFR(-1)</td>
<td>-4.672397</td>
<td>1.755438</td>
<td>-2.661670</td>
<td>0.0260</td>
</tr>
<tr>
<td>EXCH</td>
<td>-2.532749</td>
<td>0.658453</td>
<td>-3.846514</td>
<td>0.0039</td>
</tr>
<tr>
<td>EXCH(-1)</td>
<td>-5.720299</td>
<td>1.575041</td>
<td>-3.631841</td>
<td>0.0055</td>
</tr>
<tr>
<td>GDPGR</td>
<td>-83.59767</td>
<td>20.7738</td>
<td>-4.024182</td>
<td>0.0030</td>
</tr>
<tr>
<td>SAV</td>
<td>27.70341</td>
<td>7.601009</td>
<td>3.644701</td>
<td>0.0054</td>
</tr>
<tr>
<td>SAV(-2)</td>
<td>76.42152</td>
<td>16.96748</td>
<td>4.504000</td>
<td>0.0015</td>
</tr>
<tr>
<td>OILREV</td>
<td>12.28744</td>
<td>1.768644</td>
<td>6.947379</td>
<td>0.0001</td>
</tr>
<tr>
<td>OILREV(-2)</td>
<td>-20.75885</td>
<td>3.517632</td>
<td>-5.901370</td>
<td>0.0002</td>
</tr>
<tr>
<td>WR</td>
<td>0.029683</td>
<td>0.027888</td>
<td>1.064364</td>
<td>0.3149</td>
</tr>
<tr>
<td>WR(-1)</td>
<td>0.020731</td>
<td>0.018073</td>
<td>1.147054</td>
<td>0.2809</td>
</tr>
<tr>
<td>WR(-2)</td>
<td>0.016688</td>
<td>0.019862</td>
<td>0.840198</td>
<td>0.4226</td>
</tr>
</tbody>
</table>

R-squared 0.985073 Mean dependent var 422.6087
Adjusted R-squared 0.963511 S.D. dependent var 316.8771
S.E. of regression 60.53006 Akaikes info criterion 11.32328
Sum squared resid 32975.00 Schwarz criterion 12.01445
Log likelihood -116.2177 F-statistic 45.68640
Durbin-Watson stat 2.673184 Prob(F-statistic) 0.000001

The Statistical Significance of the Parameter Estimate

The statistical significance of the parameter estimate can be verified by standard error test; the adjusted R squared and the Durbin-Watson statistics.

- For the model, when compared half of each coefficient with its standard error, it was found that the standard errors were less than half of the values of the coefficients of all the variables except for the real Wage. This shows that the estimated values are all statistically significant except for the real Wage.

- The value of the adjusted R-squared (R^2) for the model is very high, pegged at 96 percent. It implies that Infrastructure, Nominal Exchange Rate, Gross domestic output, Savings, Oil Revenue and real wages, explained about 98% systematic variations in the standard of living over the observed years in the Nigeria economy while the remaining 4% variation is explained by other determining variables outside the model.
The value of Durbin Watson is 2.7 for the model. This falls within the determinate region and implies that there is a negative first order serial autocorrelation among the explanatory variables in the model.

In summary, since all the econometric test applied in this study show a statistically significant relationship between the dependent and independent variables from the model in both the long and short runs thus, we accept the alternative hypothesis which states that there is a significant relationship between Infrastructure, Nominal Exchange Rate, Gross domestic output, Savings, Oil Revenue and the standard of living over the observed years in Nigeria.

**Theoretical Significance of the parameter Estimate**

For the theoretical significance of the overall estimates, we evaluated the signs and the magnitude of the coefficients of the variables. The results capture a negative but statistically significant effect of Gross Domestic Product on the living standard in Nigeria. The negative coefficient of Gross Domestic Product reflects a certain paradox of growth without development. Although the economy is growing as a result huge oil revenue, the distributive effect is negative. The poor did not benefit from the oil boom. It did not make positive impact on the living standard of Nigerians.

It is also important to mention that the effects of infrastructure and exchange rate on the living standard were negative both in the short run and long run but were statistically significant. This suggests that the gains from oil were not properly utilized to provide infrastructure for the welfare of the masses in Nigeria. More importantly the exchange rates continue to deteriorate even with the huge external reserves that were generated from excess oil revenues. As at today the external reserves of Nigeria stands at $37.8billion, yet the exchange rate is N166.00 to USS $1.

According to the results, savings has positive coefficient both in the short- run and the long run and it is statistically significant. According to the a priori expectations the effect of saving on the living standard is theoretically positive. The result is not therefore surprising. The positive coefficient of saving indicated that people live on their personal savings to improve their welfare. This is in agreement with what is happening in Nigeria.

Most important for the objectives of this paper, the estimated coefficients support the idea that oil revenues had a large negative long run impact on the living standard of Nigerians during the period under review. In fact, in the regressions estimated, the oil revenue parameter explains the presence of 'Dutch disease' in Nigeria. As pointed out by Pinto (1987), there is, strictly speaking, a "Dutch disease" since with the oil boom the economy does not attain a higher level of consumption and welfare. And as pointed out by Ross (2004) 'Dutch disease' occurs in terms of the distributive consequences of oil revenues. According to him, the most important Dutch disease effects can be linked to the crowding-out of agricultural and manufacturing exports. Any crowding-out of labor-intensive sectors can have adverse distributional consequences. A booming agricultural or manufacturing sector provides many economic opportunities to low-skill workers. Whereas a booming petroleum sector offers them few opportunities, except through government transfers or rent-seeking. When a booming petroleum sector crowds out agriculture or manufacturing exports, the opportunities for the poor could drop sharply.

**SUMMARY, CONCLUSION AND POLICY IMPLICATIONS**

This paper investigated the impact of oil revenues on the living standard of Nigerians using an econometric assessment. No attempt was made in the paper to evaluate empirically the impact of oil price shock on the living standard of Nigerians and on economic growth. The results obtained support the view that economic growth and oil revenues have negative but significant statistical effects on the living standard of Nigerians. The distributive effect is negative. The poor did not benefit from the oil boom and it did not make positive impact on
the living standard of Nigerians. The econometric analysis carried out in the paper supports the conclusion that oil revenues was a major factor behind the growth in the gross domestic output which is currently 6.7 percent in Nigeria. In this process, it is important not to note the fact that growth without a reduction in poverty level is nominal.

Despite some heterogeneity in the results, three major conclusions emerge clearly from the regressions. First, there seems to be a corruption and uneven income distribution in Nigeria on part of the bureaucratic bourgeoisies. Second, there is growth without development and third, there is 'Dutch disease' in Nigeria.

Our findings and conclusion support the need for the government to be more transparent in accounting and reporting the revenues accruable from oil. In complement of the above, there is need to revisit the revenue allocation formulae and give preference to the grassroots where poverty is more pronounced. More generally, the Nigerian policy makers should focus attention on poverty reduction policies and strategies and embark on even distribution of the national income through wage legislation.

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