

**THE 1970s OIL BOOM IN NIGERIA: ECONOMIC MONOCULTURE AND THE
RESULTANT EFFECT (1970-2000)**

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**A PROJECT SUBMITTED TO THE DEPARTMENT OF HISTORY AND
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CERTIFICATION

This is to certify that this project was carried out by **UKANACHO CHINWENDU PRECIOUS** with matriculation number **ART2100476** in the Department of History and International Studies, University of Benin, under my supervision.

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(Head of Department)

Date

Date

DEDICATION

This work is dedicated to God Almighty for his infinite grace and mercy upon my life, his loving kindness, protection and grace throughout my academic pursuit. I also dedicate this work to my lovely family.

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CHAPTER ONE

BACKGROUND OF THE STUDY

Introduction

The discovery and subsequent commercialization of crude oil in Nigeria in the late 1950s marked a turning point in the country's economic trajectory. However, it was during the 1970s that Nigeria experienced an unprecedented economic transformation due to the global oil boom. This period, particularly following the 1973 Arab oil embargo, led to a surge in oil prices, significantly boosting the revenue of oil-producing countries, including Nigeria. The resultant wealth led to what is widely referred to as the "oil boom," a phase that saw Nigeria become heavily dependent on crude oil exports as the mainstay of its economy.¹

Prior to the oil boom, Nigeria's economy was predominantly agrarian. The country derived substantial revenue from the export of agricultural products such as cocoa, palm oil, groundnuts, and rubber. Agriculture employed more than 70% of the population and contributed significantly to Nigeria's GDP. However, the oil windfall of the 1970s shifted government attention from agriculture and other sectors to the lucrative oil industry. This shift marked the beginning of what is termed an economic monoculture

a condition where a nation's economy becomes overly dependent on a single sector, in this case, oil.²

The newfound oil wealth enabled massive public spending, rapid urbanization, and the execution of ambitious development projects. However, it also bred economic mismanagement, corruption, and an unsustainable pattern of consumption. The oil sector, being capital-intensive but not labor-intensive, did little to absorb Nigeria's growing labor force, thereby creating structural unemployment³. The neglect of the agricultural and manufacturing sectors led to a decline in productivity and food insecurity, resulting in the importation of food and manufactured goods, further draining the country's foreign reserves.⁴ As global oil prices fluctuated through the 1980s and 1990s, Nigeria's over-reliance on oil made the economy highly vulnerable to external shocks. The collapse of oil prices in the early 1980s led to severe economic crises, including balance of payments deficits, inflation, and mounting external debts. In response, the government adopted the Structural Adjustment Programme (SAP) in 1986 under the guidance of the International Monetary Fund (IMF) and World Bank. This program aimed at diversifying the economy and liberalizing trade, but it also came with harsh austerity measures that worsened living conditions for many Nigerians.⁵

From 1970 to 2000, Nigeria's dependence on oil revenues did not significantly translate into broad-based economic development. Instead, the oil boom entrenched a rentier state system, in which the state became the primary distributor of oil rents, leading to widespread corruption and a weak productive base. Public institutions became vehicles

for patronage, and governance structures were weakened, hindering sustainable economic growth and development.⁶ The oil boom also had socio-political implications, fueling regional tensions over resource control and contributing to a cycle of instability and underdevelopment.⁷

Aim and Objectives of the Study

The aim of this study is to critically examine the impact of the 1970s oil boom on Nigeria's economic structure, with specific emphasis on how the country's over-reliance on crude oil exports (economic monoculture) between 1970 and 2000 led to socio-economic challenges, including the neglect of other productive sectors, economic volatility, and underdevelopment. The objectives are;

- i. To explore the historical background and development of the oil industry in Nigeria, particularly from the 1970s onward.
- ii. To analyze how the oil boom of the 1970s influenced government policy and economic planning in Nigeria.
- iii. To investigate the shift from a diversified economy to a mono-product economy during the oil boom era.
- iv. To assess the socio-economic consequences of economic monoculture on sectors such as agriculture, industry, and employment.
- v. To examine the effects of oil dependency on macroeconomic stability, including inflation, debt, and currency devaluation.

Scope of the Study

This study is delimited to an examination of the economic and socio-political impact of the 1970s oil boom in Nigeria, with a particular focus on how the boom entrenched an economic monoculture centered on crude oil. The temporal scope covers the period between 1970 and 2000, a critical timeframe during which the effects of oil dependency became most pronounced. The starting point, 1970, marks the immediate post-civil war era when oil revenues began to rise significantly due to global market changes. The endpoint, 2000, reflects the transition to the Fourth Republic, a time when policy discussions on diversification and economic reform re-emerged in national discourse.

Research Methodology

This research is basically historical, therefore the research method adopted for this work is based on data collection from primary and secondary sources.

Primary Sources

To achieve the collection of data, this research will adopt the primary sources which include interviews and opinion sampling.

Secondary Sources

Journals, reports, articles, newspapers, charters, treaties, textbooks, and other publications pertaining to the topic of the study will be the sources of secondary data for the research.

Literature Review

T. Falola and M.M. Heaton's *A History of Nigeria*⁸ offers a comprehensive and chronological account of Nigeria's socio-political and economic development, situating the 1970s oil boom within a broader historical framework. They meticulously detail how the post-independence era, especially the period following the Nigerian Civil War (1967–1970), witnessed a dramatic transformation in the structure of the Nigerian economy. According to the authors, the discovery and commercialization of oil in large quantities catalyzed a shift from an agriculturally based and regionally diverse economy to one singularly focused on petroleum exportation. This shift is portrayed not as a deliberate national strategy for long-term growth, but rather as an opportunistic and short-sighted embrace of windfall revenues, which ultimately entrenched a mono-product economic structure.

In analyzing the effects of the oil boom, Falola and Heaton highlight how the influx of petrodollars in the 1970s significantly increased state revenues, enabling massive government expenditures on infrastructure, public services, and civil service expansion. However, they also show how this newfound wealth encouraged rent-seeking behavior, weakened institutional checks and balances, and fostered a culture of dependency on oil revenues. The authors argue that the oil wealth led to a distortion of national priorities, with the government neglecting agriculture, manufacturing, and other productive sectors that previously sustained Nigeria's economy. Rural communities, once supported by robust agricultural exports such as cocoa, groundnuts, and palm oil, became economically marginalized during this period. Significantly, the work underscores the

paradox of prosperity a recurring theme in resource-rich states wherein Nigeria, despite unprecedented oil earnings, experienced growing inequality, underdevelopment, and institutional decay. Falola and Heaton contend that the centralization of oil revenue by the federal government exacerbated regional tensions, especially among the Niger Delta communities who bore the environmental burden of oil extraction but reaped few economic benefits. These tensions contributed to the rise of militancy and agitation for resource control, signaling the socio-political consequences of economic monoculture.

T. L. Karl's scholarly work, *The Paradox of Plenty*⁹ introduces the concept of the "resource curse," arguing that the very abundance of oil wealth in countries like Nigeria creates structural and institutional weaknesses rather than promoting prosperity. This argument is particularly relevant when examining Nigeria's experience during the 1970s oil boom, which witnessed an explosion in state revenue accompanied by increased corruption, economic mismanagement, and a weakening of democratic accountability. Karl's analysis highlights how oil-dependent states often fall into the trap of economic monoculture, where the overreliance on a single export commodity such as petroleum crowds out other productive sectors of the economy, particularly agriculture and manufacturing. In Nigeria's case, the oil windfall of the 1970s led to a neglect of the agricultural sector, which had previously served as the mainstay of the economy and a major source of foreign exchange. As oil revenues surged, the Nigerian government shifted its focus away from long-term economic planning and diversification toward short-term consumption and patronage spending. This created a rentier state in which

state officials and elites became more focused on controlling access to oil rents than on fostering sustainable development.

He also emphasizes the political ramifications of oil wealth, arguing that it breeds centralized authoritarianism and weakens institutions. In Nigeria, the oil boom coincided with successive military regimes that consolidated power through control over oil revenues. The central government's domination of oil income undermined federalism and increased tensions among various ethnic and regional groups, particularly in oil-producing areas such as the Niger Delta. The lack of transparency in oil revenue management and the growing disconnect between state income and citizen taxation further eroded accountability mechanisms, making the government less responsive to the needs of its people. Karl demonstrates how oil-rich countries often suffer from a volatility trap, whereby fluctuating oil prices on the international market destabilize national economies. In Nigeria, the economic gains of the 1970s quickly dissipated when oil prices dropped in the early 1980s, exposing the fragility of the oil-based economy. This led to fiscal crises, heavy borrowing, and the eventual adoption of Structural Adjustment Programs, which had severe socio-economic consequences for the majority of Nigerians. Rather than acting as a blessing, the oil boom became a source of long-term economic vulnerability and political instability.

M. Watts' *Resource Curse? Governmentality, Oil and Power in the Niger Delta*¹⁰ provides a profound and localized critique of the resource curse thesis by focusing on the socio-political complexities that arose from oil exploitation in Nigeria, particularly in the

Niger Delta. Unlike broader macroeconomic discussions, Watts narrows his analysis to the intersection of oil, power, governance, and resistance, showing how the oil boom of the 1970s not only entrenched Nigeria's dependence on a single commodity but also intensified socio-political fragmentation and underdevelopment in oil-producing communities. His work is critical for understanding the deeper implications of economic monoculture and the dysfunctions it created at the local and national levels.

Watts argues that the 1970s oil boom facilitated a massive transformation in the Nigerian state structure, ushering in a form of "petro-governmentality" in which the state functioned as both a distributor of oil rents and a suppressor of dissent. The sudden increase in oil wealth centralized power in the federal government and encouraged authoritarian rule, especially under successive military regimes. This centralization marginalized local actors and communities, stripping them of control over their resources and environmental futures. In the Niger Delta, this led to a rise in grievances, environmental degradation, and the sense of economic and political exclusion, which set the stage for years of unrest and militant agitation. The author explores how oil wealth fostered not just economic dependence but also political manipulation and elite domination. The state used oil rents to finance patronage networks and silence opposition, thereby weakening democratic institutions and civil society. Meanwhile, the neglect of sectors like agriculture and manufacturing deepened economic inequalities, creating a dual economy: an oil-funded elite class on one side and impoverished rural populations on the other. Watts also underscores how oil companies, in collusion with the state,

operated with impunity, exacerbating local discontent and environmental degradation.¹¹ This exploitation fed into cycles of protest, resistance, and violence, especially from the 1990s onward. Watts' work also challenges the idea that the resource curse is merely an economic issue. He presents it as a broader system of governance in which oil wealth shapes how power is exercised, resources are controlled, and communities are disciplined. The Niger Delta becomes a symbol of how resource dependency, when managed through authoritarianism and corruption, leads to profound human insecurity. The oil boom of the 1970s did not bring development to these communities; instead, it produced socio-environmental disasters, widespread disillusionment, and the rise of insurgency movements.¹²

M. Watts in another scholarly work *In Righteous Oil? Human Rights, the Oil Complex, and Corporate Social Responsibility*¹³, critically investigates the intersection of oil production, human rights, and corporate ethics, with a particular focus on the Nigerian context. This work builds on his earlier scholarship on the Niger Delta and further expands the scope by interrogating the moral and legal responsibilities of multinational oil companies operating in fragile, resource-dependent states like Nigeria. Watts provides a thorough analysis of how the 1970s oil boom not only entrenched economic monoculture in Nigeria but also created a highly volatile relationship between corporations, the state, and local communities, resulting in what he terms the "oil complex a nexus of political power, corporate interest, and socio-environmental conflict.

He draws attention to the failure of oil wealth to translate into broad-based development or improved living conditions, especially in oil-producing regions. Watts argues that while oil companies claimed to operate under the umbrella of Corporate Social Responsibility (CSR), in practice these initiatives often served to mask deeper structural injustices, including land dispossession, environmental destruction, and political repression. The 1970s oil boom, far from being a period of equitable economic expansion, laid the groundwork for systemic neglect and exploitation of communities in the Niger Delta. The centralization of oil revenue and state reliance on oil rents also meant that the Nigerian government frequently acted in alignment with multinational oil companies, prioritizing revenue security over human rights and environmental sustainability. Watts interrogates the rhetoric of CSR by showing that oil companies often used development projects such as the building of schools, clinics, or roads not as sincere investments in local welfare but as tools for pacifying dissent and controlling local populations.

C. I. Obi's *Oil and Insurgency in the Niger Delta: Managing the Complex Politics of Petro-violence*¹⁴ provides a comprehensive exploration of the relationship between oil wealth, state fragility, and the escalation of insurgency in Nigeria's oil-producing region. The book situates the crisis in the Niger Delta within the broader historical trajectory that began with the 1970s oil boom, which transformed Nigeria from an agrarian economy into a rentier state heavily reliant on petroleum exports. This sudden influx of oil revenues created what Obi describes as a "petro-state," marked by centralization of power,

economic monoculture, and the marginalization of local communities, particularly those in the oil-producing areas.

Obi emphasizes how the oil boom not only shaped Nigeria's national economic and political architecture but also entrenched structural inequalities that later exploded into full-blown conflict. The central government's control of oil resources meant that local communities had little to no say in how their lands were exploited, nor did they receive a fair share of the wealth generated. This disempowerment, coupled with environmental degradation and poverty, created fertile ground for the rise of militant groups such as the Movement for the Emancipation of the Niger Delta (MEND). These groups emerged not only as a response to state neglect but also as a direct challenge to the political and economic order born from the oil boom era. The book also critiques how successive Nigerian governments, especially during the period from 1970 to 2000, managed oil revenues through systems of patronage, corruption, and repression. Rather than using oil wealth to diversify the economy or invest in long-term development, political elites channeled resources into consolidating their own power. This mismanagement reinforced Nigeria's dependence on a single commodity, leading to volatility, underdevelopment, and social unrest hallmarks of the resource curse. Obi demonstrates that the failure to build inclusive governance structures and equitable economic policies was a direct consequence of the rentier mentality established during the oil boom.

In *Resource Abundance and Economic Development*,¹⁵ R. M. Auty offers a foundational analysis of the paradox wherein countries rich in natural resources, particularly oil and minerals, often experience stagnation or decline in economic performance a phenomenon widely referred to as the “resource curse.” This work is particularly pertinent to understanding Nigeria’s economic trajectory following the oil boom of the 1970s, when the country transitioned from a diversified agricultural economy to one overwhelmingly reliant on petroleum exports. Auty’s thesis directly aligns with Nigeria’s experience, where resource wealth did not translate into sustainable development but instead led to economic monoculture, policy volatility, and institutional decay. Auty identifies several mechanisms through which resource abundance undermines economic development. Chief among these is the distortion of economic structures, where windfall revenues from resource exports like Nigeria’s crude oil reduce incentives to diversify production or invest in competitive manufacturing and agriculture. In Nigeria’s case, the agricultural sector, once the mainstay of the economy, was systematically neglected as oil revenues flooded government coffers. The sudden shift in revenue sources also led to overvalued exchange rates, inflationary pressures, and a neglect of long-term planning, all of which are symptoms Auty attributes to the “Dutch Disease” effect.

Another major concern raised in Auty’s work is the weakening of institutional quality in resource-rich states. In Nigeria, the 1970s oil boom coincided with a sharp rise in corruption, rent-seeking, and the centralization of economic power in the federal

government. Auty explains that such outcomes are not accidental but are common in countries where state revenues are dominated by resource rents. With a reduced need to tax citizens, governments in such contexts often lack accountability and operate through patronage networks rather than transparent institutions. In Nigeria, this phenomenon was evident in the proliferation of white-elephant projects, massive capital flight, and the consolidation of power among political elites, all of which contributed to long-term underdevelopment.

In *For the Liberation of Nigeria*¹⁶, Y. B. Usman offers a powerful Marxist critique of the Nigerian political economy, especially during the transformative years of the 1970s oil boom. Usman's work is a pointed rejection of the bourgeois nationalist project, arguing that the Nigerian elite both military and civilian failed to utilize the country's newfound oil wealth to foster genuine economic liberation and development. Instead, he contends that the state became a conduit for class exploitation, in which the ruling elite enriched themselves while perpetuating the dependency and underdevelopment of the broader Nigerian society. This argument aligns closely with the critique of economic monoculture and the social consequences of resource mismanagement during 1970–2000.

Usman frames the oil boom not as an opportunity for development, but as a moment of intensified class contradiction. He argues that oil revenues served to entrench the dominance of a comprador bourgeoisie a class whose interests were tied to foreign capital and who functioned as intermediaries between global capitalism and the local

economy. Rather than investing oil earnings in sectors such as agriculture, manufacturing, and education, the state under elite control redirected these funds into conspicuous consumption, patronage, and externally controlled development models. This pattern of behavior reinforced Nigeria's structural dependency and halted the country's earlier attempts at self-sustaining economic growth. A central theme in Usman's analysis is the role of the Nigerian state in facilitating this exploitative system. He portrays the state as an instrument of class rule, which used its control over oil rents to suppress dissent and consolidate power. The vast oil income, instead of democratizing governance, allowed the elite to bypass popular accountability mechanisms such as taxation and public engagement in policy-making. This pattern contributed to growing alienation among the masses, widening inequality, and the eventual erosion of social cohesion outcomes that became more pronounced in the post-oil boom decades.

In *The Politics of Structural Adjustment in Nigeria*¹⁷, A. Olukoshi provides a critical and incisive account of Nigeria's turn to the Structural Adjustment Programme (SAP) in the mid-1980s, following the collapse of the oil boom. His analysis is essential for understanding the aftermath of the 1970s oil-driven economic monoculture and how the Nigerian state attempted to grapple with the consequences of overreliance on petroleum exports. The book situates the adoption of SAP not merely as an economic policy response, but as a deeply political process shaped by elite interests, external pressures from international financial institutions, and domestic contestation. Olukoshi demonstrates that the economic crisis of the early 1980s was the inevitable outcome of

the reckless management of oil revenues during the boom decade. The earlier oil wealth, rather than being invested in structural transformation and economic diversification, had fostered a bloated public sector, massive import dependence, and pervasive corruption. When global oil prices plummeted, Nigeria was left with huge budget deficits, mounting foreign debt, and declining industrial output. The SAP, promoted by the International Monetary Fund (IMF) and the World Bank, was introduced as a corrective mechanism aimed at liberalizing the economy, reducing state involvement, and restoring macroeconomic stability.

Olukoshi critiques the SAP as a deeply flawed and externally imposed model that failed to address the root causes of Nigeria's economic malaise. He argues that rather than diversifying the economy and reducing dependency on oil, the adjustment policies entrenched Nigeria's vulnerability to global markets. The devaluation of the naira, trade liberalization, and subsidy removals disproportionately affected the poor, leading to increased poverty, unemployment, and social discontent. These policies also led to further decline in the agricultural and industrial sectors, thereby reinforcing the same economic monoculture the reforms were meant to dismantle. One of the most important contributions of the book is its emphasis on the political dimensions of structural adjustment. Olukoshi reveals how Nigerian political elites, despite their public opposition to some SAP components, often collaborated with international financial institutions to protect their own interests. The state used authoritarian means, including repression and co-optation, to silence dissent and implement unpopular reforms. In doing so, the SAP

process became a site of both resistance and elite consolidation, with civil society organizations, labor unions, and student movements emerging as vocal critics of the neoliberal agenda.

*Nigeria's Economic Reforms: Progress and Challenges*¹⁸ by N. Okonjo-Iweala and P. Osafo-Kwaako offers an insider's perspective on Nigeria's attempts at economic recovery and reform in the wake of prolonged oil dependency and decades of poor economic management. The work is particularly important for understanding the long-term consequences of the 1970s oil boom and the persistent structural problems that plagued Nigeria from the late 20th century into the early 21st century. The authors focus on the post-2000 reform agenda, but their analysis is grounded in a historical narrative that traces the failures of earlier decades, including the monocultural economic structure fostered by overreliance on crude oil exports. The book outlines how the oil boom led to the distortion of Nigeria's economic priorities, weakening other sectors such as agriculture and manufacturing. Okonjo-Iweala and Osafo-Kwaako argue that the easy revenue from oil fostered fiscal indiscipline, rent-seeking, and corruption. These problems were compounded by weak institutions, poor public sector governance, and an unsustainable debt burden accumulated during the 1980s and 1990s. Despite periodic attempts at reform, most efforts were undermined by political instability, lack of political will, and elite resistance to transparency and accountability.

A major contribution of the book is its account of the comprehensive economic reform programme initiated under President Olusegun Obasanjo in the early 2000s, when

Okonjo-Iweala served as Finance Minister. The authors discuss reforms in public financial management, debt relief negotiations, and improvements in macroeconomic policy. These efforts were aimed at restoring credibility to Nigeria's economy, improving budget discipline, and reducing the country's dependence on oil. The reforms also targeted transparency through mechanisms such as the Extractive Industries Transparency Initiative (EITI), which sought to address the opacity surrounding oil revenue management. Nevertheless, the authors acknowledge that significant challenges remained. The entrenched monocultural economic pattern persisted, and diversification efforts, though underway, were slow to yield substantial results. The informal sector remained large, infrastructure was still underdeveloped, and poverty and inequality were widespread. Moreover, the volatility of global oil prices continued to expose Nigeria's vulnerability, underlining the fact that sustainable development could not be achieved without reducing the dominance of oil in national revenue.¹⁹

In *An Overview of the Nigerian Economic Growth and Development*²⁰, A. H. Ekpo and O.J Umoh provide a comprehensive examination of Nigeria's economic performance from independence through the early 2000s, with special emphasis on the growth dynamics that followed the oil boom of the 1970s. Their analysis is crucial to understanding how the sudden influx of oil revenue transformed the Nigerian economy into a mono-commodity system, with profound long-term consequences for sustainable development. The paper outlines the historical phases of Nigeria's economic trajectory, revealing how each era was shaped by the dominance of a particular sector agriculture in

the 1960s and early 1970s, and oil from the mid-1970s onward. Ekpo and Umoh argue that the oil boom created a false sense of economic security and led to the neglect of agriculture and industry, which had previously been the bedrock of the economy. The revenue windfall from oil exports encouraged a public expenditure spree that was not matched by corresponding investments in productive sectors. As a result, Nigeria became heavily dependent on imports and vulnerable to fluctuations in the global oil market. This vulnerability was starkly revealed during the oil price crashes of the 1980s and 1990s, which precipitated severe economic crises and exposed the structural weaknesses of the oil-dependent economy. The authors critically assess the policy responses to these crises, including the adoption of Structural Adjustment Programmes and other reform initiatives. While these policies were aimed at stabilizing the macroeconomic environment and diversifying the economy, Ekpo and Umoh note that they often failed to produce the desired outcomes due to weak institutional capacity, policy inconsistency, and poor implementation. They emphasize that growth, where it occurred, was largely non-inclusive and failed to significantly reduce poverty or improve living standards for the majority of Nigerians.

In addition to economic mismanagement, the paper highlights governance issues such as corruption, lack of transparency, and rent-seeking behavior, all of which were exacerbated by the centrality of oil revenues in national budgeting. The authors advocate for a multi-sectoral approach to economic development that includes revitalizing agriculture, investing in human capital, and fostering private sector growth. They also

stress the importance of stable and accountable governance as a prerequisite for any successful reform effort. Ekpo and Umoh's work reinforces the argument that the oil boom, while initially beneficial in terms of revenue generation, set Nigeria on a path of economic monoculture that proved detrimental to long-term growth and development. Their analysis provides a strong empirical basis for understanding why Nigeria, despite its resource wealth, continues to face challenges in achieving broad-based and sustainable economic development.

Chapter Outline

Chapter One: Background to the Study

This chapter briefly introduces the topic, and states the aim and objectives of the study.

Chapter Two: Historical Background of Oil Discovery and the Rise of the Petroleum Sector in Nigeria

This chapter traces the historical evolution of Nigeria's petroleum industry from pre-independence discoveries to the oil boom era of the 1970s. It examines the transition from an agrarian economy to a petroleum-driven one and the political and global context that influenced Nigeria's economic policies.

Chapter Three: The Oil Boom and the Institutionalization of Economic Monoculture (1970–1980)

This chapter critically analyzes how the oil boom entrenched a mono-resource economy in Nigeria. It explores the neglect of agriculture and manufacturing, the overreliance on oil revenues, and the growth of rentier-state structures.

Chapter Four: Socioeconomic and Political Consequences of Depending Solely on Oil Proceeds (1990–2000)

This chapter evaluates the broader consequences of monoculture on Nigeria's political economy and society. It looks at patterns of inequality, regional discontent (especially in the Niger Delta), political instability, and the erosion of democratic institutions.

Chapter Five: Conclusion

This chapter concludes the study.

Endnotes

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CHAPTER TWO

HISTORICAL BACKGROUND OF OIL DISCOVERY AND THE RISE OF THE PETROLEUM SECTOR IN NIGERIA

The trajectory of Nigeria's economic landscape underwent a dramatic transformation with the rapid growth of its petroleum sector. While the initial discovery of oil in the mid-20th century held the promise of diversified growth and development, the subsequent oil boom of the 1970s marked a significant turning point. This era witnessed an unprecedented influx of oil revenues, fundamentally reshaping the nation's

economic structure and laying the groundwork for the economic monoculture that would characterize subsequent decades. Understanding the historical trajectory of this pivotal period, from the period before oil discovery, the early explorations to the ascendance of oil as the dominant economic force, is crucial to comprehending the long-term consequences that unfolded between 1970 and 2000.¹

Prior to the 1970s, Nigeria's economy relied on agriculture with cash crops like palm oil, cocoa, and groundnuts contributing over 70% of export earnings by 1960. The discovery of petroleum, however, triggered a dramatic shift toward economic monoculture, where oil revenues overshadowed all other sectors². However, the exploration and eventual commercialization of petroleum in the mid-20th century radically transformed Nigeria's economic landscape. While oil production was growing, agriculture remained a significant contributor to Nigeria's Gross Domestic Product (GDP) and a major source of employment.³ However, the quadrupling of oil prices in 1973-1974 dramatically shifted this balance. The Nigerian government, under General Yakubu Gowon, found itself with burgeoning revenues, leading to increased public spending and a gradual neglect of other sectors, particularly agriculture.

This chapter delves into the historical background of oil discovery in Nigeria, tracing the origins of Nigeria's oil industry and its consolidation as the backbone of the economy as well as developments that led to the rise of the petroleum sector and its eventual dominance within the national economy. By examining the early phases of exploration, the establishment of key regulatory frameworks, and the factors that

contributed to the dramatic growth in oil production and revenue during the 1970s, this chapter provides the essential context for analyzing the subsequent economic monoculture and its resultant effects.

Nigeria Economy before the Discovery of Oil

Nigeria has been known for her agrarian economy prior to the discovery of crude oil in commercial quantity in 1956 in a village called Oloibiri in present day Bayelsa State. As part of the efforts to integrate Nigeria into global economy, cash crops were introduced to Nigeria by the Europeans from South America and India. Palm oil became an export commodity in Nigeria as far back as 1558; and by 1830, the Niger Delta, which now produces crude oil, had become the major source of palm oil which dominated Nigeria's export list for more than 50 years. Cotton joined the export list in 1856, while cocoa was introduced and became an export crop in 1895⁴. Together with rubber, groundnut, palm kernel in later years formed the major valuable crops. Agriculture was the major source of her foreign exchange earnings through the exportation of cash crops such as rubber from Delta State in south-south region; groundnut, hide, and skin produced by the northern region; cocoa and coffee from the western region; and palm oil and kernels from the eastern region of the country. There was a healthy economic competition among the then four regions of the country as each exploited its comparative advantage by focusing on the cultivation and production of specific set of cash crops. Thus, Nigeria was reasonably self-sufficient in food production and carved a respectable niche for itself as a major exporter of a bouquet of cash crops ranging from groundnuts,

palm oil, cocoa, rubber to cotton, including hide and skin⁵. The dominance of agriculture in the Nigerian economy then could be seen from its contributions, Not only was agriculture able to cater for the 95 percent of the food needs of Nigerians, it contributed 64.1 percent of the Gross Domestic Product (GDP) and employed over 70 percent of the Nigerian population, Additionally, at that point, export of agricultural produce accounted for 80 percent of the country's foreign exchange earnings and 50 percent of government revenue.⁶

However, the narrative was altered following the oil boom in the 70s, as Nigeria became over reliant on the huge gains that came from oil. Till date oil remains our major source of income, with about 95 percent of the country's earnings from abroad. This means that, the country was stagnant on best practices of agriculture known to the world. Nigeria exports record according to Okotie has declined to a disappointing 2 percent, as well as loosing her place as exporter of cocoa, groundnut, kolanut, rubber, and palm oil. A very good reason for this was, the decline in the production of these commodities. After the discovery of crude oil in Nigeria, less attention was paid by successive Nigerian governments to agriculture. The discovery of crude oil in Nigeria can be said to be a mixed blessing. It came with economic growth and infrastructural development, though some of the projects were abandoned and the funds for those projects embezzled. The major disadvantage was the destruction of the environment, especially the aquatic environment, which affected fishing, the primary source of livelihood of the indigenous population. There is an urgent need for diversification of the Nigerian economy from its

present crude oil-dependent system. Other sectors of the economy, such as agriculture and manufacturing, should be given an opportunity to thrive and support revenue from petroleum, especially now that the price of oil is crashing. Though the attention of the government has primarily shifted to the oil and gas sector of her economy, the investment in the agricultural sector did not stop even though it could be reported to be low when compared to investments in the oil and gas sector of Nigeria economy. This trend is however changing as there are renewed calls, strategies, and actions for an agricultural revolution in the country.⁷

Apparently, since the discovery of crude oil in Nigeria in 1956 the Nigerian government has gradually neglected the Agricultural sector of the economy. The Agricultural sector constituted the greatest percentage of Nigeria's GDP prior to crude oil discovery in the country but, presently, over 90% of Nigeria's GDP is contributed by the proceeds from her crude oil sales, Consequently, Nigeria has not been able to produce sufficient agricultural export commodities to encourage any export for about three or more decades ago, instead, she has heavily relied on the importation of these commodities from other countries for her sustenance. Other regions like in the north, which had been the major supplier of groundnut, and hide and skin; west for production of cocoa and coffee; and east for palm oil and kernels; all, have abandoned agriculture. Not only that, Chief Arigbabu Solomon lamented that Nigeria's agriculture has fizzled out to the level that the nation is now a net importer of food where it was once known for its import of agriculture produce at the international market⁸. The oil boom that started in 1973

prompted the Federal Government to embark on bogus but unrewarding projects at the expense of agriculture, which on the long run did not translate to any development or contributing any meaningful impact on the people. (A good example is the moribund Ajaokuta Iron and Steel Company in Kogi State of Nigeria. The government proposed and spent billions of dollars for constructing the complex of the Steel Company. The first phase of the project covering an area of about 172 hectares of land at Ajaokuta was commenced in 1977⁹. A similar project was the construction of three inland rolling mills with capacities of 210,000ty each was embarked on simultaneously in Jos, Katsina and Osogbo to complement as well as to enhance operations of the Ajaokuta Iron and Steel. The projects were handled by German and Japanese firms. The first phase of these projects was commissioned in 1982¹⁰. By 1986, they have become enclaves of wide animals because of economic crisis due largely to government mismanagement of resources and lack of vision.

The Discovery of Crude Oil

The early 20th century witnessed a surge in the global demand for fossil fuels, primarily driven by the rise of automobiles and industrialization. This created a strong incentive for European powers, particularly Britain, to explore potential oil resources in their colonies. The search for Petroleum in Nigeria started in 1908 at Araromi area of the present Ondo State by a German Company known as Bitumen Corporation¹¹. The

Nigerian Bitumen Corporation's failed 1908 wells in Araromi were Africa's first attempt at oil drilling"¹². This made Araromi the first camp of oil exploration outfit in Nigeria. However, Nigerian Bitumen Corporation ceased exploration as a result of the outbreak of World War I, which broke out in 1914-1918. In 1937, the Shell 'D' Arcy, which later became Shell BP Petroleum Development Company of Nigeria Limited, entered the oil exploration scene in Nigeria. However, the outbreak of World War II forced the company to suspend activities in Nigeria in 1941, but resumed activities again in 1946. The first deep exploration well was drilled in 1951 at Ihuo, 16 kilometres northeast of Owerri, to a depth of 11, 228 feet, but no oil was found. Oil was later discovered at Akata well, which was drilled in 1953 but was suspended in 1954 due to its few quantity. However, in January 1956, oil was discovered in commercial quantity at Oloibiri, now in Bayelsa State, by Shell BP. Towards the end of the same year, a second discovery was made at Afam now in Rivers State. The first Cargo crude oil left Nigeria in February 1958, when production stood at 6,000 barrels per day with revenue accounted for about ₦122 million. This contributed 0.08% to the National Revenue. As a result of Shell's success in the mid 1950s. The number of both international and local companies prospecting for Nigerian oil increased tremendously over time. The production in Bonny, Obolo (Andoni) and Ogoni, among others in the Niger Delta, between 1959 and 1960 raised the contribution of oil to 1.00% in 1960. Later the 606 oil producing field in the Delta region and its fringes from the second half of 1960s to 1975, led to crude oil replacing palm oil, cocoa and ground

nuts in the national economy. As a result, petroleum became the dominant sources of the national revenue from 1974.

The discovery of oil according to Mr. Cosmos Nwafor has indeed brought good and evil things to Nigeria.¹³ He believed that oil has provided for the country considerable resources which have been deployed into various projects and have kept the economy going. In the first instance, according to him, more states and local governments have been created. Roads, air and sea ports were also constructed.¹⁴ Nigeria was able to execute two and half year civil war without indebted to any nation. Schools, primary, secondary, colleges of education, polytechnics and Universities were built across the nation through oil money. He however blamed the discovery of oil and its poor management as being responsible for the decline of agriculture in Nigeria. The researcher's critical engagement with other informants across Nigeria further elaborated our understanding that with the discovery of oil, Nigerian government jettisoned the ongoing agricultural project, which had been the main economic drive of Nigeria. This has turned Nigeria into a mono-cultural economy. For example, in the Niger Delta, the region that harbours the crude oil, men completely abandoned agriculture to women for menial jobs in the oil companies. Obinna Duru, corroborated this further when he noted during an interview that, "the advent of oil in Nigeria marked an unfortunate turning point in the nation's history as it led to the emergence of a crop of lazy citizens who lost the initiative to be productive."¹⁵ He pungently pressed home his view when he lamented thus: "The country became a dumping ground for imported goods as cheap dollars flowed

ceaselessly from petroleum... the sad commentary about Nigerian situation are that it is one of the few countries that pump out more than two million barrel per day and still live in this primitive infrastructural situation... Oil boom has become oil doom.”¹⁶

Early Oil Exploration in Nigeria: Colonial Era (1900-1960)

The story of oil in Nigeria begins in the early 20th century, driven by the rise in global demand for petroleum and the exploratory ambitions of colonial powers. While significant commercial discoveries didn't materialize until the mid-1950s, this initial period was crucial for laying the groundwork and establishing the presence of the oil industry in the country. The colonial exploitation (1900–1960) prioritized raw material extraction for European industries, neglecting industrialization.¹⁷ The First World War stimulated greater interest in finding indigenous sources of oil within the British Empire. This led to the granting of the first oil exploration license in Nigeria to the Nigerian Bitumen Corporation in 1914. A significant turning point occurred in 1937 when Shell Petroleum Development Company of Nigeria (then known as Shell D'Arcy) was granted an exploration license covering the entire country¹⁸. This marked the sustained and intensive phase of oil exploration in Nigeria. Shell embarked on extensive geological surveys, utilizing techniques that were pioneering for the time, across the vast Niger Delta region and beyond. The challenging terrain of the Niger Delta, with its dense mangrove forests and intricate network of creeks and rivers, presented significant logistic hurdles for these early exploration efforts. Transportation of equipment and personnel was difficult, and living conditions for the exploration teams were often harsh. Despite

these difficulties, Shell persisted in its geological and geophysical investigations throughout the late 1930s and 1940s. The Second World War also had an impact on exploration activities, causing some disruptions and slowing down progress. However, after the war, exploration intensified once again. Shell invested heavily in tremulous surveys and exploratory drilling, gradually building a better understanding of the region's subsurface geology. Numerous wells were drilled during the 1940s and early 1950s, but commercial quantities of oil remained elusive. It wasn't until January 1956 that the breakthrough finally came with Shell's successful drilling of the Oloibiri well in the Niger Delta¹⁹. This discovery marked the beginning of Nigeria's journey as a significant oil producer.

Following the Oloibiri discovery, other oil companies, such as Mobil and Gulf (now Chevron), also began to show increased interest in Nigeria's oil potential and secured exploration licenses. The late 1950s witnessed further discoveries, solidifying the Niger Delta as a promising oil-producing region. The 1956 Oloibiri discovery by Shell-BP marked a turning point, but colonial policies ensured foreign control over resources²⁰. Shell-BP's discovery at Oloibiri (Bayelsa State) in 1956 marked Nigeria's entry into global oil production. By 1958, the Port Harcourt terminal exported Nigeria's first crude shipment, averaging 5,100 barrels per day.²¹ This era laid the groundwork for Nigeria's future dependence on petroleum²².

By 1958, Nigeria's oil industry was still in its growing stages, with production levels relatively modest compared to what they would become in the 1970s. However, the

groundwork had been laid. The early exploration efforts, despite the challenges and initial lack of success, were crucial in identifying the country's vast oil reserves and establishing the presence of the international oil companies that would play a dominant role in the sector's future development. This period set the stage for the dramatic expansion and the subsequent oil boom that would fundamentally reshape Nigeria's economy and society. In Nigeria, ever since oil exploration and production activities commenced in 1958, oil export has continued to play dominant roles in the economy. Historically, it accounts for over 90% of export earnings and about 80% of federal government revenue, and generates more than 25% of the country's gross domestic product). It also provides approximately 90% of foreign exchange earnings and about 70% of budget revenues. Undoubtedly, since the discovery in 1956, Nigeria's economy has benefited inestimably from oil exports. The history of the Ministry of Petroleum Resources is deeply intertwined with the discovery of crude oil in Nigeria. In 1956, Shell-BP (a British-Dutch multinational) made the first commercially viable oil discovery in Oloibiri, present-day Bayelsa State. By 1958, the first barrels of Nigerian crude oil were exported. With the growing significance of oil, the need for a regulatory framework and governance structure to manage oil exploration and production became evident. During this period, petroleum matters were managed under the Ministry of Mines and Power, which had a broad mandate encompassing minerals and energy

Governing elites in West African rentier states teamed up with foreign oil companies to make oil exports their main source of revenue, accounting as we have seen

for 80-90% of total exports and 97% of government revenues (see section 5) in Nigeria. The oil sector's contribution to GDP was lower but nevertheless increased impressively, from under 10% by 1970 to over 20% only three years later, and later fluctuating to 30-40%. The formal economy as well as the state system thus became intimately tied to oil, and the literature amply exposes the uneven distribution of gains and costs among social groups, and all the ensuing social and ecological conflicts typical of resource struggles.²³

Post independence Expansion and Oil boom (1960-1990)

Following Nigeria's independence in 1960, the growing oil industry began a period of significant expansion, fueled by increasing global demand and further discoveries of oil reserves. The government, now in Nigerian hands, started to play a more active role in shaping the sector.

In the early post-independence years (1960s), the number of international oil companies operating in Nigeria increased. Alongside the pioneering Shell-BP (later Shell), companies like Mobil, Gulf (later Chevron), Agip, and Elf (later Total) secured exploration licenses and commenced operations, primarily in the onshore and shallow offshore areas of the Niger Delta. This influx of investment and expertise led to a steady increase in Nigeria's oil production capacity. By the late 1960s, Nigeria was producing a significant amount of crude oil, although agriculture still held a prominent position in the national economy.²⁴

A pivotal moment arrived with the 1970s oil boom. Following the end of the Nigerian Civil War (1970) there was demand for a full resumption and expansion of oil

production activities in the Niger Delta region, which had been disrupted during the war. The early 1970s saw a rise in global energy consumption, driving up the demand for oil. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971, gaining leverage in global oil pricing²⁵. The 1973 Arab-Israeli War led to a sharp increase in global oil prices as the Organization of Arab Petroleum Exporting Countries (OAPEC) imposed an embargo on oil exports to certain Western nations. During the war, the United States and some Western European nations provided military and financial support to Israel and in retaliation for the Western support of Israel, The Organization Of Arab Petroleum Exporting Countries(OAPEC) decided to use oil as a political weapon. On October 17, 1973, they announced an oil embargo targeting the United States, the Netherlands, and other countries seen as pro-Israel. They also significantly cut oil production. The 1973 Arab-Israeli War triggered an oil price surge, increasing Nigeria's revenue from ₦1.2 billion (1973) to ₦10 billion (1974), funding ambitious infrastructure project. Nigeria's 1971 entry into OPEC coincided with the 1973 oil crisis, which quadrupled prices from \$3 to \$12 per barrel. it was the dramatic surge in global oil prices following the 1973 Arab-Israeli War and subsequent Organization of Petroleum Exporting Countries (OPEC) oil embargo that truly catapulted Nigeria into an era of unprecedented oil wealth.²⁶

The oil boom continued through the late 1970s and into the early 1980s, although fluctuations in global oil prices began to introduce instability. The Nigerian government, under the leadership of General Yakubu Gowon, began to assert greater control over the

oil sector. The establishment of the Nigerian National Oil Corporation (NNOC) in 1971 was a key step in this direction. This move aimed to increase national participation and benefit from the burgeoning oil revenues. The establishment of the Nigerian National Oil Corporation (NNOC, 1971) and later the Nigerian National Petroleum Corporation (NNPC) in 1977 further consolidated state control over the industry. The Nigerian Enterprises Promotion Decree (1972) forced foreign firms to cede 40–60% equity to Nigerians, though corruption undermined its goal.²⁷

The Nigerian government, under General Yakubu Gowon, recognized the critical importance of oil as a source of revenue and strategic influence. In 1975, the Ministry of Petroleum Resources was officially created, separating petroleum from other energy resources. The newly formed Ministry was charged with the regulation of the entire petroleum sector, from exploration to downstream activities. Its responsibilities included overseeing the activities of international oil companies (IOCs) operating in Nigeria, ensuring compliance with petroleum laws, and advising the government on oil policies.²⁸

The 1970s and 1980s were a period of rapid expansion and nationalization in Nigeria's oil industry. The government's indigenization policies, encapsulated in the Nigerian Enterprises Promotion Decree of 1972 and 1977, sought to increase Nigerian participation in the oil industry. During this period, the Ministry of Petroleum worked closely with the NNOC, which in 1977 merged with the Ministry's Petroleum Inspectorate to form the Nigerian National Petroleum Corporation (NNPC), a state-owned integrated oil company. This merger symbolized Nigeria's efforts to consolidate

its control over oil resources. In the 1980s, Nigeria experienced an oil boom, which saw petroleum revenues contribute significantly to national wealth. The Ministry of Petroleum played a pivotal role in overseeing the country's increased oil production, which by the early 1980s peaked at over 2 million barrels per day. However, the oil boom also came with challenges, including overreliance on oil exports and the volatility of global oil prices. Throughout this period, the Ministry worked to introduce policies aimed at increasing the role of Nigerians in the oil sector.

The Nigerian Content Development initiative began to take shape, although it would not be formalized until the early 2000s. Additionally, the Ministry began addressing issues of environmental impact, particularly in the Niger Delta, where oil exploration activities led to environmental degradation and rising social tensions. In the 1990s, following years of military rule, the Ministry of Petroleum remained instrumental in guiding Nigeria's oil policy, despite challenges like declining oil prices and economic instability. The Ministry's role in managing the downstream sector expanded, with a focus on ensuring petroleum product availability through refineries managed by the NNPC.²⁹

Conclusion

Nigeria is a well-endowed nation in Africa continent both with mineral and human resources. The ecological factor from the time immemorial favours agricultural economy. Each of the regions was viable financially. Indeed, from the earliest time to late 1950s, agriculture remained the mainstay of Nigeria's economy. The Colonial

Government, 1914-1960 ran its administration purely on agricultural economy. There was no jobless person and corruption was at its lowest ebbs. However, from 1956 when oil was discovered in it Niger/Delta littoral up to 1970s when oil booms started, the entire structure of Nigeria has changed. The dawn of Petroleum economy to some people has brought both blessings and curses to Nigeria. Others see this perception differently as nothing but curses. The former school of thought evaluates the gains of petroleum such as improved infrastructure, creation of more states and local government and the administrative running of the federation as part of petroleum enhancement for rapid development. On the other hand, the latter school of thought focused their arguments on the problems that accompanied the exploration of crude oil in Nigeria such as corruption, mono-cultural economy, poverty, joblessness, environmental pollution and violence to regard petroleum as a curse. In this context, this study acknowledges the arguments of both schools of thought. It is obvious that the discovery and exploration of petroleum for over fifty years in Nigeria has accompaniment of both positive and negative experiences just like other nations that are endow with oil. Without contradiction, Petroleum is neither a blessing nor a curse depending on the way the government handles it. The governmental policies on the exploration in Nigeria and the way the economy has been handled without planning and focus is the major problem since the discovery of crude oil, which has resulted in different crises in Nigeria's socio-political and economic structure.

In summary, while the pre-independence era was characterized by initial exploration efforts, significant challenges, and the eventual discovery of commercial oil

reserves. the post-independence period, particularly the 1970s oil boom, was a watershed moment in Nigeria's history. While it brought immense wealth and the potential for rapid development, it also sowed the seeds of economic monoculture, neglect of non-oil sectors, and challenges related to governance and corruption that would shape the country's economic trajectory for the remainder of the 20th century. The rise of Nigeria's petroleum sector exemplifies the paradox of resource wealth: rapid growth followed by systemic collapse. Similarly, Petroleum has also led to the legalization, institutionalization and canonization of corruption in Nigeria.

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CHAPTER THREE

THE OIL BOOM AND THE INSTITUTIONALIZATION OF ECONOMIC MONOCULTURE (1970–1980)

The period between 1970 and 1980 marks a significant turning point in Nigeria's economic history, as the discovery and exploitation of crude oil transformed the country from an agriculturally driven economy to one heavily dependent on petroleum exports. Prior to the 1970s, agriculture had been the backbone of Nigeria's economy, providing employment for over 70 percent of the population and accounting for a substantial share of the nation's foreign exchange earnings through cash crops such as cocoa, palm oil, and groundnuts.¹ However, the oil boom of the early 1970s, triggered by the global energy crisis and rising oil prices, rapidly shifted the country's focus toward crude oil as the dominant source of national revenue².

This transition was not merely economic but also institutional, as the state increasingly consolidated its structures around oil production and distribution. The creation of the Nigerian National Petroleum Corporation (NNPC) in 1977 symbolized the centralization of oil wealth under federal authority, embedding petroleum at the heart of state planning and fiscal policy.³ The influx of oil revenue created a false sense of prosperity, with the government embarking on ambitious infrastructural projects and welfare programs, while simultaneously neglecting other productive sectors of the economy⁴. As a result, Nigeria became a classic example of a "rentier state," where state revenues were overwhelmingly derived from resource rents rather than diversified economic activities.⁵ The institutionalization of oil as the central pillar of the Nigerian

economy also had profound political and social implications. Oil wealth fueled the entrenchment of military regimes, expanded the scope of corruption, and deepened clientelism, as access to oil rents became a key determinant of political power⁶. Furthermore, the overdependence on oil made the economy highly vulnerable to fluctuations in global oil prices, which exposed Nigeria to recurrent fiscal crises, particularly during the oil glut of the 1980s.⁷ The neglect of agriculture and manufacturing sectors meant that when oil prices declined, the country faced not only a revenue shortfall but also a structural economic crisis that necessitated the adoption of Structural Adjustment Programs (SAPs) under the guidance of the International Monetary Fund (IMF) and the World Bank.⁸

In essence, the oil boom years of 1970–1990 institutionalized an economic monoculture that undermined Nigeria’s prospects for balanced and sustainable development. This chapter explores how the petroleum industry reshaped Nigeria’s economy, politics, and society, while entrenching structural vulnerabilities that continue to define the nation’s developmental challenges. By situating Nigeria’s experience within the broader framework of resource dependence and rentier state theory, the chapter demonstrates how the oil boom created both opportunities for modernization and pitfalls of overdependence that constrained long-term economic transformation.

Historical Background of the Oil Boom

The roots of Nigeria's oil boom can be traced back to the colonial period when exploratory drilling began in the early 20th century. However, it was not until 1956 that Shell-BP discovered oil in commercial quantities in Oloibiri, in present-day Bayelsa State⁹. By 1958, Nigeria had joined the league of oil-exporting nations, exporting its first shipment of crude oil to the international market. Despite this breakthrough, agriculture remained the dominant economic activity through the 1960s, as the young post-independence state continued to rely heavily on cash crops such as cocoa, groundnut, and palm oil as its primary sources of revenue.¹⁰

The Nigerian Civil War (1967–1970) played a pivotal role in accelerating the transition from an agrarian economy to one dominated by oil. The war disrupted agricultural production in many regions, especially in the East, while oil production, largely concentrated in the Niger Delta, became a lifeline for the federal government to finance the conflict¹¹. After the war, oil revenues surged dramatically, coinciding with the 1973 Arab-Israeli War, which triggered a global oil crisis and quadrupled crude oil prices on the international market¹². This windfall transformed Nigeria overnight into a rentier state, with oil revenues accounting for over 80 percent of government income and over 90 percent of export earnings by the mid-1970s.

The influx of oil wealth significantly altered the structure of the Nigerian economy and state institutions. Military rulers, who dominated the political landscape during this period, centralized control over petroleum resources, thereby consolidating federal authority at the expense of regional autonomy¹³. The establishment of the

Nigerian National Oil Corporation (NNOC) in 1971, later merged into the Nigerian National Petroleum Corporation (NNPC) in 1977, institutionalized state participation in the oil industry and further entrenched petroleum as the main driver of national development. The oil boom facilitated ambitious state-led development programs, including massive infrastructure projects, import substitution industries, and expansion of public sector employment. However, these efforts were often poorly managed, leading to inefficiency and wastage of resources.¹⁴

The 1980s brought a sharp reversal of fortune when global oil prices collapsed, exposing the fragility of Nigeria's oil-dependent economy. The oil glut of 1981–1986 caused severe fiscal crises, mounting external debts, and balance of payment deficits, forcing the government to adopt Structural Adjustment Programs (SAPs) under the guidance of the International Monetary Fund (IMF) and the World Bank¹⁵. The SAPs aimed to diversify the economy, reduce dependence on oil, and liberalize markets, but they instead deepened social hardship, unemployment, and poverty across the country¹⁶. The historical trajectory of the oil boom, therefore, not only highlights Nigeria's meteoric rise as a petroleum giant but also underscores the structural weaknesses of its mono-resource economy, which left the nation vulnerable to external shocks and internal mismanagement.

In sum, the oil boom between 1970 and 1990 must be understood within the broader global economic context and Nigeria's domestic political dynamics. While it brought unprecedented wealth and opportunities for development, it also institutionalized

an economic monoculture that undermined agriculture, distorted state-society relations, and entrenched rentier politics. This background provides the foundation for understanding how oil dependence became both a blessing and a curse for Nigeria.

The Shift from Agriculture to Oil

Before the oil boom of the 1970s, agriculture was the cornerstone of Nigeria's economy. It contributed over 60 percent to the nation's GDP, accounted for 70 percent of employment, and provided more than 65 percent of foreign exchange earnings through exports of cash crops such as cocoa, groundnut, palm oil, cotton, and rubber. The regional economies were structured around these agricultural products: the West thrived on cocoa, the North on groundnut pyramids and cotton, while the East depended largely on palm produce¹⁷. Beyond economic contributions, agriculture provided food security, sustained rural livelihoods, and formed the cultural identity of many Nigerian communities. However, the discovery and subsequent boom in petroleum radically altered this trajectory.

In an interview with Mr. Babalola Odunsola, he mentioned that with the exponential rise in oil revenues during the 1970s, the agricultural sector began to decline, both in economic relevance and policy priority.¹⁸ The government, flush with petrodollars, shifted its attention to petroleum exports as the primary engine of growth, relegating agriculture to the background. For instance, while oil accounted for only 26 percent of government revenue in 1970, by 1975 it had risen to 82 percent, while agriculture's share in foreign exchange earnings had dropped drastically to less than 10 percent¹⁹. This

neglect manifested in declining public investment in agricultural research, extension services, and rural infrastructure. Farmers were left without adequate support, which further weakened productivity and discouraged young people from farming.²⁰

Another dimension of this shift was the socio-economic transformation it triggered. According to Mrs. Edefe Oghenekewe, the oil boom spurred massive rural-urban migration, as young Nigerians abandoned farming for white-collar jobs and opportunities in oil-producing cities like Port Harcourt, Warri, and Lagos²¹. The rural areas, once vibrant centers of agricultural activity, were depopulated and left in economic stagnation. Food imports rose sharply, as the country turned increasingly to foreign markets to meet domestic demand. By the mid-1980s, Nigeria had become a net importer of food, spending billions of dollars annually on items such as rice and wheat, commodities it previously produced in abundance.²²

The decline of agriculture also had significant structural consequences for the broader economy. The dependence on oil revenue led to what economists term “Dutch Disease,” whereby the inflow of petrodollars appreciated the naira, making agricultural and manufacturing exports less competitive on the global market. This discouraged local production and further entrenched dependence on imports. Small-scale farmers, unable to compete with cheaper imported food, increasingly abandoned agriculture altogether. The result was a vicious cycle of declining domestic production and rising import bills, which undermined national food security and self-sufficiency.²³ Politically, the shift to oil also altered the balance of power between rural and urban constituencies. In the pre-oil era,

agricultural regions had significant bargaining power in shaping national politics, as regional governments depended on agricultural revenues. However, with the centralization of oil rents in the hands of the federal government, the influence of rural farmers diminished drastically. This centralization further alienated rural communities, who not only lost their economic relevance but also bore the brunt of environmental degradation from oil exploration in the Niger Delta.

In retrospect, the oil-driven neglect of agriculture was one of the most profound structural shifts in Nigeria's economic history. The promise of oil revenues overshadowed the long-term importance of agriculture, creating a monocultural economy vulnerable to external shocks. While oil wealth provided short-term prosperity, the collapse of agriculture eroded Nigeria's capacity for sustainable development, leaving deep scars on food security, employment, and rural welfare. This shift entrenched the monoculture that has continued to define Nigeria's economic trajectory up to the present day.

Institutionalization of the Oil Monoculture

The oil boom of the 1970s did not merely shift Nigeria's economic focus from agriculture to petroleum; it also entrenched a structural dependency on oil, thereby institutionalizing economic monoculture. This institutionalization was driven by deliberate government policies, centralization of oil revenues, and the transformation of state institutions into distributive rather than productive mechanisms. The state became the primary channel for oil rents, thereby reshaping Nigeria's fiscal system and embedding petroleum as the dominant sector of the economy.²⁴

One of the clearest indicators of this institutionalization was the creation and strengthening of petroleum-centered state structures. In 1971, Nigeria established the Nigerian National Oil Corporation (NNOC), which was later merged with the Ministry of Petroleum Resources to form the Nigerian National Petroleum Corporation (NNPC) in 1977. The NNPC assumed a dominant role in regulating, producing, and marketing crude oil, consolidating federal control over the sector. This move reflected the government's shift towards "resource nationalism," ensuring that oil revenues became the backbone of state budgets. Consequently, oil accounted for more than 80 percent of federal revenue and 95 percent of foreign exchange earnings by the late 1970s.²⁵

The distribution of oil wealth also reinforced centralized federalism and dependency on resource rents. The introduction of the Federation Account meant that revenues from oil were pooled and redistributed to states and local governments according to federally determined allocation formulas. This arrangement drastically reduced the fiscal autonomy of states, making them heavily dependent on allocations from the center. Rather than developing independent sources of revenue, subnational governments became rent-seeking entities competing for a share of federal oil revenues. This entrenched a rentier political culture, where political contests revolved around access to oil rents rather than the promotion of productive economic activities. Institutionalization of the oil monoculture also influenced Nigeria's development planning. The Second (1970–1974), Third (1975–1980), and Fourth (1981–1985) National Development Plans were overwhelmingly financed by oil revenue, and they

prioritized large-scale infrastructural projects, industrial ventures, and welfare programs. While ambitious in scope, these plans failed to achieve their objectives largely due to poor execution, corruption, and the lack of diversification strategies. Instead of fostering long-term industrial growth, oil revenues were channeled into consumption, white-elephant projects, and importation of goods, thereby weakening local industries and reinforcing dependence on oil income.²⁶

Another dimension of this institutionalization was the entrenchment of rentier state practices. As oil rents became the lifeblood of the Nigerian state, political elites relied less on taxation and productive activities to finance governance. This fiscal autonomy from citizens weakened state accountability and promoted corruption, as oil wealth was diverted into patronage networks and personal enrichment. The military regimes of the 1970s and 1980s, in particular, consolidated authoritarian rule by monopolizing access to oil revenues, which they used to sustain patron-client systems and maintain political legitimacy.²⁷ Moreover, the overdependence on oil revenues rendered Nigeria's economy vulnerable to external shocks, a structural feature that became institutionalized during this period. The volatility of oil prices in the global market directly translated into cycles of boom and bust in Nigeria's fiscal system. For example, the oil price collapse of the early 1980s plunged Nigeria into a severe economic crisis, exposing the risks of monocultural dependence.²⁸ Rather than correcting this structural imbalance, subsequent economic reforms such as the Structural Adjustment Program (SAP) of 1986 further embedded the rentier logic by prioritizing the

stabilization of oil revenues over genuine diversification. Thus, the institutionalization of oil monoculture was not an accidental outcome but the product of systemic choices, entrenched state structures, and political practices that revolved around petroleum wealth. By the close of the 1980s, Nigeria had become locked into a rentier path, with oil revenues shaping the economy, politics, and social relations. This monocultural dependence, while generating short-term prosperity, laid the foundation for long-term economic vulnerability and socio-political instability that continue to define Nigeria's development trajectory.

Socio-Political Consequences of Oil Dependence

The socio-political consequences of oil dependence in Nigeria during the period of the oil boom (1970–1990) were profound, shaping the nation's political culture, governance, and social structures in ways that still resonate today. In the view of Mr. Martins Olukoya, Oil revenues significantly altered the political economy by centralizing power and wealth in the federal government, thereby weakening the autonomy of regional governments.²⁹ The concentration of oil rents at the center entrenched a rentier state structure, where political competition became less about ideology or policy and more about access to oil wealth. This institutionalized patronage politics and prebendalism, where public officeholders viewed political positions as a means of dispensing resources to themselves, their kin, and their ethnic groups³⁰. Consequently, corruption became endemic, as the pursuit of oil rents overshadowed merit-based governance and long-term planning.

Another socio-political consequence was the intensification of ethnic and regional rivalries, especially in the context of revenue allocation. The federal government's control over oil rents gave rise to disputes between oil-producing states in the Niger Delta and other regions of the country. While the oil-producing communities bore the environmental costs of extraction, they received minimal developmental benefits, fueling grievances and early forms of resistance that later developed into militant agitations. This uneven distribution of oil wealth exacerbated social inequality and deepened the sense of marginalization among minority groups, particularly in the Niger Delta. The oil boom also undermined democratic development in Nigeria. The influx of oil wealth created an illusion of prosperity, which successive governments used to consolidate authoritarian rule. Military regimes, notably under Generals Yakubu Gowon, Olusegun Obasanjo, and later Ibrahim Babangida, capitalized on oil rents to maintain loyalty within the armed forces and suppress dissent. Oil dependence thus created a cycle in which authoritarian leaders used petroleum revenues to entrench themselves in power, further weakening accountability and transparency mechanisms. The central role of oil rents in sustaining authoritarian rule highlights how resource dependence can hinder political pluralism and democratic consolidation.³¹

Furthermore, the oil boom reshaped the social fabric of Nigerian society by fostering a culture of dependency on state largesse. With oil revenues funding public sector expansion, subsidies, and import-dependent consumption, citizens increasingly looked to the state as the primary provider of wealth and opportunities rather than as an

institution for collective development. This fostered weak civil society engagement, as rentier politics reduced incentives for citizens to demand accountability or participate meaningfully in governance. The expectation of unearned wealth through state distribution diminished the value of productive work and encouraged corruption and clientelism at multiple levels of society.³²

Economic Implications of the Oil Boom

The economic implications of Nigeria's oil boom (1970–1990) were profound, shaping both the structure of the economy and its long-term trajectory. At the outset, oil revenues brought unprecedented foreign exchange earnings, transforming Nigeria into one of the wealthiest economies in sub-Saharan Africa during the 1970s. Between 1970 and 1980, oil accounted for over 80% of government revenue and more than 90% of export earnings, giving the state enormous financial power. This influx of revenue allowed the Nigerian government to embark on ambitious development projects such as large-scale infrastructure expansion, public sector employment, and industrialization schemes under various development plans. In the short run, this oil-induced growth fostered optimism about Nigeria's economic future.

However, the heavy dependence on oil revenues created a structural imbalance in the economy. The agricultural sector, which had been the backbone of Nigeria's economy before the discovery of oil, witnessed a sharp decline due to neglect and urban migration. The lure of oil wealth and rising public expenditures diverted attention away from productive agricultural exports such as cocoa, groundnut, and palm oil, which had

previously sustained the country's foreign earnings. This economic shift exemplified the "Dutch Disease" effect, where resource wealth caused distortions in other productive sectors, undermining Nigeria's capacity to maintain a diversified economy.³³

The oil boom also generated a culture of excessive government spending, often without adequate accountability. The state, flush with petrodollars, pursued costly projects such as steel complexes, refineries, and cement plants, many of which turned into "white elephant" projects due to mismanagement and corruption. Instead of fostering long-term industrial development, these projects drained resources and failed to deliver expected returns. Furthermore, the dependency on oil revenue exposed Nigeria to the volatility of global oil markets. The oil glut of the early 1980s brought sharp revenue declines, leaving Nigeria heavily indebted and unable to sustain its expenditure patterns, which eventually necessitated the Structural Adjustment Program (SAP) in 1986.

In addition, the oil boom entrenched rent-seeking and patronage networks within the political economy. Oil rents became a central feature of state-society relations, where access to state resources replaced productivity as the basis of wealth accumulation. This created inefficiencies, discouraged private sector initiative, and fostered corruption at multiple levels of governance. The rapid urbanization spurred by oil revenues also placed enormous pressure on urban infrastructure and deepened income inequalities between urban and rural populations. In sum, while the oil boom provided Nigeria with unprecedented economic opportunities, its mismanagement and overdependence on oil revenue institutionalized economic monoculture and set the stage for recurrent fiscal

crises. The collapse of agricultural exports, volatility in revenue, and the rise of rentier politics continue to affect Nigeria's economic resilience long after the boom years.

The Oil Crisis of the 1980s

The oil crisis of the 1980s marked a turning point in Nigeria's economic trajectory, as the country faced the consequences of its overdependence on oil revenues. Following the oil boom of the 1970s, Nigeria had become a rentier state, relying almost exclusively on petroleum exports to fund public expenditure and national development projects. However, the global oil market proved highly volatile. By the early 1980s, a glut in the international oil market, coupled with declining demand, led to a sharp drop in oil prices. This decline had severe implications for Nigeria, as government revenues, which were over 80% dependent on oil, plummeted drastically. The collapse revealed the vulnerability of Nigeria's monocultural economic structure and highlighted the dangers of neglecting other productive sectors such as agriculture and manufacturing.³⁴

The crisis not only triggered fiscal instability but also led to widespread economic dislocation. With the sharp fall in revenues, Nigeria struggled to meet its import bills and service its mounting external debt. As the country had become highly import-dependent during the oil boom years, importing food, consumer goods, and industrial inputs—the crash left it unable to sustain this lifestyle. This resulted in trade imbalances, balance-of-payments deficits, and a growing debt crisis. By the mid-1980s, Nigeria was compelled to seek external assistance from international financial institutions such as the International

Monetary Fund (IMF) and the World Bank, which introduced structural adjustment programs (SAP) aimed at stabilizing the economy through austerity measures, currency devaluation, and deregulation. However, these reforms often deepened social inequalities and increased hardship for the majority of the population.³⁵

The oil crisis of the 1980s also had significant socio-political repercussions. The collapse in oil revenues intensified corruption and mismanagement, as political elites competed for dwindling state resources. This exacerbated political instability and undermined governance, contributing to recurrent military coups during the period. The inability of successive governments to effectively manage the crisis created disillusionment among the populace, leading to widespread poverty, unemployment, and social unrest. In addition, the crisis revealed the inherent weaknesses of Nigeria's rentier state model, where the state's legitimacy was largely tied to its ability to distribute oil rents rather than promote productive economic development. In retrospect, the oil crisis of the 1980s underscored the dangers of economic monoculture and the failure of long-term planning in Nigeria. It highlighted how the oil boom had fostered a culture of waste, dependency, and neglect of vital sectors like agriculture and industry, leaving the nation vulnerable to external shocks. The legacy of this crisis continues to shape Nigeria's economic and political realities, as oil dependence remains a central challenge in its development discourse.³⁶

Conclusion

The oil boom era in Nigeria between 1970 and 1990 marked a decisive turning point in the nation's economic and political history. While it ushered in unprecedented levels of revenue and opportunities for rapid development, it also created conditions that entrenched structural weaknesses in the economy. The overwhelming dependence on oil exports led to the neglect of agriculture and other productive sectors, thereby transforming Nigeria into a monocultural economy that was highly vulnerable to fluctuations in global oil prices. This overreliance not only stunted economic diversification but also fostered a culture of easy wealth that discouraged innovation and productivity in other sectors.

Politically, the oil boom contributed to the consolidation of centralized state power, where control over oil revenues became a key determinant of authority. This dynamic entrenched corruption, rent-seeking behavior, and patronage systems, thereby undermining governance and accountability. The state became more concerned with distributing oil rents than fostering sustainable economic growth. As a result, public institutions weakened while the gap between the ruling elite and the general populace widened, fueling social discontent. The crisis of the 1980s further exposed the fragility of Nigeria's oil-dependent economy. When oil prices collapsed, the government was left with massive deficits, debt burdens, and an economic crisis that necessitated external intervention through structural adjustment programs. These austerity measures worsened poverty, unemployment, and inequality, deepening the socio-economic struggles of

ordinary Nigerians. What was initially a period of prosperity quickly turned into an era of hardship, as the country's lack of foresight in planning for diversification became evident.

In retrospect, the oil boom represents both a missed opportunity and a cautionary tale. While it temporarily elevated Nigeria's global standing and provided resources for development, the absence of prudent management ensured that the wealth was not translated into long-term prosperity. Instead, the period institutionalized economic monoculture, weakened the resilience of the economy, and left a legacy of dependency that continues to shape Nigeria's economic trajectory. Ultimately, the lessons of this era underscore the urgent need for economic diversification, transparent governance, and sustainable policies that can shield the nation from the volatility of resource dependence.

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CHAPTER FOUR

**SOCIO-ECONOMIC AND POLITICAL CONSEQUENCES OF DEPENDING
SOLELY ON OIL PROCEEDS (1990-2000)**

Nigeria's heavy reliance on oil revenue during the 1970s led to profound socioeconomic and political consequences, a phenomenon often referred to as the resource curse or Dutch Disease. The discovery of petroleum in Nigeria and the subsequent oil boom of the 1970s, as detailed in the preceding chapters, fundamentally reoriented the nation's economic base from agriculture to a near-total reliance on crude oil exports. This shift resulted in a prototypical "economic monoculture," in which the state's prosperity became tightly intertwined with the unpredictable fluctuations of the global oil market. While this transition initially generated unprecedented government revenue and fostered an illusion of rapid modernization, it ultimately engendered a paradox: the immense wealth generated from oil failed to translate into sustainable or inclusive development for the Nigerian populace. Instead, it precipitated a series of

profound and interconnected socio-economic and political crises that would define the national experience from 1970 to 2000.¹

Building on the historical foundation established in Chapter Two and the analysis of economic monoculture in Chapter Three, this chapter provides a critical examination of the consequences of Nigeria's dependence on oil proceeds. It argues that the reliance on a single revenue source entrenched a rentier state model, which fostered systemic corruption, crippled other productive sectors of the economy through the "Dutch Disease", exacerbated social inequalities, and planted the seeds of violent conflict in the Niger Delta region. As Burgis articulates in "The Looting Machine", Nigeria's oil wealth became the "lifeblood of a looting machine" that concentrated power and resources in the hands of a kleptocratic elite while depriving the majority of citizens of basic necessities². To substantiate this argument, This chapter analyzes the profound consequences of Nigeria's oil dependency during the pivotal decade of 1990-2000. This period represents the full maturation of the "resource curse", marked by extreme economic crisis, the entrenchment of a brutal kleptocratic regime, and the escalation of social grievances into open conflict in the Niger Delta³. It argues that by the 1990s, Nigeria's oil-dependent structures had created a vicious cycle of poverty, corruption, and violence that defined the nation's experience at the close of the twentieth century. The chapter is structured into three main parts. First, it analyzes the economic consequences, detailing the phenomenon of Dutch Disease and the systematic collapse of agriculture and manufacturing, the adoption of the structural adjustment program and failed reforms. Second, it investigates

the political consequences, exploring the emergence of a corrupt rentier state and the centralization of power that fueled instability and the erosion of democratic institutions. Finally, it assesses the social consequences, highlighting the patterns of inequality, paradox of poverty amidst plenty and regional discontent which was the genesis of the Niger Delta crisis. Through this multi-faceted analysis, this chapter demonstrates that oil dependency became not a blessing, but a central catalyst for Nigeria's developmental challenges in the late twentieth century.

Economic Consequences: The Dutch Disease, Crisis, SAP and Failed Reform

The 1990s opened with Nigeria experiencing significant challenges as a result of the decline in global oil prices that occurred during the 1980s. The economic strategies of this period failed to reverse the damaging effects of Dutch Disease. Volatility in global oil prices and internal mismanagement led to a severe decline in living standards for most Nigerians. The influx of petrodollars from the 1970s oil boom triggered a classic case of the "Dutch Disease," an economic phenomenon which originated in the Netherlands where a resource boom causes the decline of other export sectors through currency appreciation and a shift of resources. In Nigeria, this manifested as a severe deformation of the economic structure, leading to an over-reliance on oil and the deliberate neglect of historically productive sectors like agriculture and manufacturing.⁴The Dutch Disease model explains Nigeria's economic trajectory with remarkable accuracy. It operates

through two main effects that is , "The Resource Movement Effect" and "The Spending Effect". In the former, Labour and capital were drawn away from traditional sectors like agriculture and into the burgeoning, high-wage oil sector and the non-tradable service sector e.g. construction, real estate, that grew around government spending,

The later talks about the massive inflow of foreign exchange from oil exports dramatically increased value of the Nigerian currency. An overvalued currency made Nigerian agricultural and manufactured goods more expensive and less competitive on the world market, while simultaneously making imports cheaper than locally produced goods⁵. This dual effect created a vicious cycle, as oil revenues flooded in, other sectors became increasingly unprofitable and were systematically starved of investment and labour. This also led to the Collapse of Agriculture. Prior to the discovery of oil, Nigeria's economy was agrarian and self-sufficient. Agriculture was the bedrock of the economy, employing over 70% of the population and accounting for the majority of export earnings through cash crops like palm oil, cocoa, groundnuts, and rubber. In fact, Nigeria was the world's largest palm oil exporter in the 1960s⁶. The oil boom reversed this entirely. As government revenue became almost entirely dependent on crude sales, policy focus and economic incentives shifted away from farming. The sector was not just neglected; it was actively undermined. The overvalued currency made imported food cheap, undercutting local farmers. Combined with a mass exodus of labour from rural areas to urban centers seeking oil-related jobs, agricultural productivity significantly declined. From being a net exporter, Nigeria became a net importer of food, spending billions of its oil wealth on

basic foodstuffs that it was once capable of producing itself. By the 1980s, agriculture's share of exports had dwindled to less than 5%⁷.

The manufacturing sector suffered a similar fate. The proposed industrializations of the 1970s, such as the Ajaokuta Steel Mill, largely failed to materialize into a productive, competitive industrial base⁸. The same strong currency that hurt farmers also made it cheaper to import manufactured goods than to produce them domestically. Consequently, local industries were crippled by intense competition from foreign imports without protective measures or strategic government support. The economy's dependence on a single, globally priced commodity made it highly susceptible to fluctuations in oil prices. When oil prices were high, the economy experienced a temporary boom, but a decline in prices led to severe economic crises, budget deficits, and the abandonment of development projects⁹. The most profound economic consequence was the transition to a rentier state. The government's revenue came not from taxing a productive domestic economy but from collecting rents (royalties and taxes) from international oil companies. This broke the social contract between the state and its citizens; the government was accountable to oil companies for its revenue, not to the Nigerian people. This lack of a social contract weakened democratic institutions and encouraged an authoritarian style of governance¹⁰.

With this rentier economic mentality the economy became geared around the easier business of extracting and selling crude oil and then distributing the rents, Instead of investing in complex, long-term industrial projects that create jobs and add value. The

industrial projects That were launched, such as state-owned refineries and steel plants, became less about economic productivity and more tools for distributing oil rents among various interest groups through contracts and patronage, leading to inefficiency and corruption¹¹. This model created an economy extremely vulnerable to the volatility of global oil prices. The boom-and-bust cycles of oil prices led to corresponding cycles of massive government spending and painful austerity, preventing stable long-term economic planning. When prices were high, as in the 1970s, the government embarked on grandiose spending sprees. When prices crashed in the 1980s, the economy, stripped of its other productive sectors, had no buffer and plunged into a deep crisis, leading to the adoption of the World Bank's Structural Adjustment Program (SAP) in 1986.

The Structural Adjustment Program (SAP) in Nigeria: Legacy by 1999-2000

In response to a severe economic crisis such as, the decline in foreign exchange reserves, massive external debt, negative economic growth, and rampant inflation, in the early 1980s caused by a crash in global oil prices, Nigeria adopted the structural adjustment program. The Structural Adjustment Program was a set of free-market economic policies prescribed by the World Bank and the International Monetary Fund (IMF) to help Nigeria manage its debt crisis and balance of payments deficits caused by the crash in global oil prices in the early 1980s. Its core aims were to Restructure and diversify the economy away from oil dependency, reduce the size of the inefficient public sector, Liberalize trade and foreign exchange markets, attract foreign investment, and achieve fiscal balance.¹²

On the Positive side, SAP did achieve some of its narrow, macroeconomic goals, though often with mixed long-term results. It succeeded with Partial Fiscal and Monetary Discipline. SAP enforced a measure of fiscal discipline on the government, temporarily curbing the rampant public spending of the earlier oil boom years. It helped reduce the massive fiscal deficits to some extent¹³. SAP also stimulated Agriculture for Export. The devaluation of the currency made Nigeria's agricultural exports (like cocoa and rubber) cheaper and more competitive on the world market. This led to a short-term boost in the production of these specific cash crops for export. However, it failed to revive food crop production for domestic consumption, contributing to the problem of food insecurity. SAP dismantled the previous system of import licenses and fixed exchange rates, which was riddled with corruption. The creation of the Autonomous Foreign Exchange Market (AFEM) in 1995 helped to unify the exchange rate and reduce the massive arbitrage opportunities that had benefited a small elite¹⁴. By 1999, a more liberalized foreign exchange market was in place, though it remained highly volatile. The program initiated the privatization of many state-owned enterprises operating ineffectively and incurring financial losses e.g., Nigerian Airways, Nigerian Shipping Line. The goal was to improve efficiency and reduce the government's financial burden.¹⁵

However, the negative social and economic impacts of SAP were its most defining legacy by the end of the 1990s. SAP deepened Social Hardship and Poverty by the elimination of subsidies on petroleum products and agricultural inputs like fertilizer, thus led to a sharp increase in the cost of transportation, food, and essential goods. This

drastically reduced the purchasing power of average Nigerians. The directive to cut public spending led to massive layoffs in the civil service and para-statal companies, fueling unprecedented unemployment and pushing many families into poverty. By 1999, the results were stark as The World Bank reported that the poverty rate in Nigeria had skyrocketed from 28% in 1980 to over 70% by 2000. SAP was widely blamed for this dramatic increase in poverty, leading to its deep unpopularity¹⁶. Deindustrialization and Collapse of Local Industries was part of SAP undoings. its policy of opening up the market to imports made it impossible for local manufacturers to compete with cheaper foreign goods. Industries producing textiles, beverages, and household goods were decimated. The devaluation of the Naira (from about ₦0.9 to \$1 in 1985 to over ₦80 to \$1 by 1999) made it extremely expensive for manufacturers to import needed machinery and raw materials, further crippling production¹⁷. The Introduction of the policy of cost-sharing (User fees) led to the introduction of fees for healthcare and education, which had been previously subsidized. This led to a dramatic drop in school enrollment, particularly for girls, and reduced access to basic healthcare for the poor¹⁸. This heightened social unrest like "IMF Riots" of 1989 which were a direct result of SAP-induced fuel price hikes. This social anger and resentment towards economic reforms persisted throughout the 1990s¹⁹. The legacy of the Structural Adjustment Program by 1999 was mixed. The process was slow, opaque, and criticized for selling national assets to allies of the military at undervalued prices, a phenomenon often called "piratization" rather than privatization²⁰. It exacerbated social inequality and poverty, creating a "lost decade" for

many Nigerians. By the time Nigeria returned to democracy in 1999, the consensus was that SAP had failed in its primary objective of structurally transforming the economy. Ironically, while designed to address debt, SAP led Nigeria to take on more loans to finance the reforms, increasing the national debt burden. The economy was more, not less, dependent on oil. By 2000, oil still accounted for over 90% of export earnings and the majority of government revenue.

Political Consequences: The Rentier State, Kleptocracy and Global Pariah Status

The 1990s were a period of intense political turmoil, where the quest for control over oil wealth was a central factor in the country's governance failures. The period was the apex of political repression and grand corruption, directly funded by oil revenue. The economic distortion caused by oil dependency was mirrored and amplified by a parallel political transformation. The influx of oil revenue, accruing directly to the state, facilitated the emergence of a rentier state model, which in turn fostered a political culture of kleptocracy, systemic corruption, global Pariah Status and intense conflict over the control of state power.

The profound political consequence during this period was the Systemic Corruption and the Rise of Kleptocracy. The control over immense, easily captured oil rents created perverse incentives for politicians. Oil revenue was treated not as capital for national development but as a "national cake" to be sliced and distributed among the political elite and their clients²¹. This mentality entrenched corruption as the central operating principle of the state. The control and distribution of oil rents became the

primary objective of political power. This was achieved through Opaque Contracting, awarding inflated contracts for projects, such as, The "Cement Armada" of the 1970s, where the government paid for massive cement imports that congested ports for years, with funds siphoned through inflated contracts²². The "missing \$12 billion" from the Gulf War oil windfall in the early 1990s, as alleged in an infamous government report²³. The Nigerian National Petroleum Corporation (NNPC) became a notoriously opaque and corrupt institution, functioning as a "slush fund" for the state rather than a professionally managed commercial enterprise. Contracts for oil blocks, refining, and procurement were awarded based on patronage and cronyism, not competence or competitive bidding, leading to massive inefficiency and theft. Additionally, strategies involving Offshore Accounts and Money Laundering enabled the diversion of state funds to private offshore bank accounts, a phenomenon so rampant among the ruling class who prioritized personal wealth storage over national development. The Oil Block Allocation System, characterized by the arbitrary and non-transparent award of oil prospecting licenses (OPLs) to political allies and associates, creating billionaires overnight without any productive effort. A notable illustration of this kleptocratic trend is the regime of General Sani Abacha (1993-1998), which represents the logical endpoint of the rentier state, as Oil revenue was systematically looted on an unprecedented scale. It is estimated his regime siphoned "\$3-5 billion" of national wealth into private offshore accounts.²⁴

The Annulment of 1993 Election which was Nigeria's freest and fairest election was arguably driven by the elite's fear of losing control over the oil revenue spigot. This

act plunged the nation into a deep political crisis and led to intense international condemnation. The imposition of SAP by an unelected military regime (General Ibrahim Babangida) led to the crisis of illegitimacy often cited as a key factor in the widespread social discontent that led to the political crisis of the 1993 election annulment and the resistance against the Abacha regime. This also led to International Isolation due to its human rights abuses and rampant corruption, Nigeria became a pariah state. It faced sanctions and was expelled from the Commonwealth, which further hampered economic prospects . This system functioned like a "looting machine", where the primary purpose of state institutions was to facilitate the extraction and export of the nation's wealth for private gain. Institutions meant to ensure accountability, such as the legislature and judiciary, were often co-opted or weakened to serve this purpose.²⁵

This brought about The Centralization of Power and the Crisis of Federalism. The control of the federal government meant sole control over the nation's oil wealth. This immense prize made the struggle for political power at the center a "do-or-die" affair. It fueled political instability, including a series of military coups and counter-coups, as different factions of the elite sought to capture the state for its rents. The period from 1970 to 1999 was dominated by military rule, interrupted only by a brief Second Republic (1979-1983). The military justified its repeated coups by pointing to the corruption of civilian leaders, yet each military regime itself became deeply implicated in the same system of looting²⁶. Furthermore, this centralization severely undermined Nigeria's federal structure. The formula for distributing oil revenue among states the

"vertical allocation" became a source of perpetual and often violent conflict. Oil-producing states, most notably in the Niger Delta, agitated for resource control and a greater share of the wealth extracted from their land, which was often environmentally devastated. Non-producing states fought to maintain the status quo that guaranteed them a share from the central pool. This turned federal politics into a zero-sum struggle for resource allocation rather than a collaborative effort for national development.

The period brought about Militarization and the Suppression of Dissent. The enormous financial resources at the state's disposal allowed for the expansion and weaponization of the security apparatus. The military regimes of the 1990s were notorious for corruption, under these successive military regimes, Nigeria solidified its position as a "rentier state". With little need to tax the populace for revenue, the government had weak accountability to its citizens²⁷. The military, which ruled Nigeria for most of this period, used oil wealth to entrench its power, this environment allowed military rulers to exercise power with little check, leading to widespread human rights abuses and the suppression of political dissent. Resources that could have been spent on development were diverted to security forces to quell protests and resistance, particularly in the Niger Delta, the neglect of oil-producing communities in the Niger Delta, combined with the environmental degradation caused by oil exploration and production, led to widespread frustration and political agitation.. The state security apparatus was massively funded to suppress all dissent.²⁸ This fueled the rise of militant groups demanding a greater share of the oil wealth and environmental justice, a situation that

continues to be a source of instability. The lack of transparency and institutional checks allowed for unprecedented levels of financial mismanagement.

Social Consequences: Poverty, Inequality, Conflict, The Rise of Civil Society and Militancy

Socially, the 1990s were a decade of both repression and resistance, culminating in the birth of a new, violent phase in the Niger Delta. The economic and political distortions caused by oil dependency, detailed above had a profound and devastating impact on Nigerian society. Rather than fostering widespread prosperity, the oil boom created a “paradox of poverty amidst plenty”, exacerbated acute inequality, and ignited violent social conflict, most notably in the Niger Delta region. Despite the hundreds of billions of dollars in oil revenue generated between 1970 and 2000, the standard of living for the average Nigerian deteriorated significantly. Basic Services such as, Access to clean water, healthcare, and education deteriorated, particularly in rural areas. Infrastructure and public services , including hospitals and schools were in a state of decay due to underfunding and neglect. Mismanagement and lack of accountability meant that oil funds did not translate into effective public services, as maintenance budgets were siphoned away through corruption. Macroeconomic growth, measured by rising GDP, did not translate into human development. Instead, key social indicators showed an alarming decline, The proportion of Nigerians living in poverty increased dramatically, from approximately 28% in 1980 to over 70% by the year 2000, according to World Bank estimates²⁹.

While oil revenues flowed to the state, inflation, economic mismanagement, and austerity measures like the Structural Adjustment Program (SAP) eroded the real income of citizens. Widespread fuel shortages were also common despite Nigeria's status as a major oil producer, due to a lack of refining capacity. The collapse of agriculture and manufacturing, combined with a growing population, led to mass unemployment and underemployment, particularly among the youth. This reality cemented Nigeria's status as a classic case of the "resource curse", where natural resource wealth correlates with poor developmental outcomes and entrenched poverty for the majority. Despite being a major oil producer, poverty rates in Nigeria rose significantly³⁰. A 2003 International Monetary Fund (IMF) working paper noted that a significant portion of the population was pushed toward poverty while a small elite became extremely wealthy.³¹

The Genesis of the Niger Delta Crisis

The most potent and tragic social consequence of oil dependence has been the protracted crisis in the Niger Delta, the oil-producing heartland of Nigeria. The decade witnessed a surge in armed conflict and resistance in the oil-rich Niger Delta region. Local communities, feeling marginalized and suffering from severe environmental degradation caused by oil exploration, rose up in protest. This conflict is the direct result of the political economy of oil, which concentrated benefits at the center and exported costs to the region. The Niger Delta became a sacrifice zone for the national economy. Widespread oil spills from aging pipelines and deliberate gas flaring poisoned farmland,

rivers, and fishing grounds, destroying the primary livelihoods of the predominantly agrarian and fishing communities³².

A United Nations Environment Programme (UNEP) report later confirm the catastrophic scale of this pollution, noting that cleanup efforts would take 25-30 years³³. Despite producing the nation's wealth, the Niger Delta remained one of the most impoverished, underdeveloped regions in Nigeria. It suffered from a stark absence of basic infrastructure like clean water, schools, hospitals, and roads. This visible contradiction "immense wealth extraction alongside extreme poverty" fueled deep-seated resentment and a sense of collective injustice among the local populations. This toxic combination of environmental degradation, economic neglect, and political repression provided the fertile ground from which the "Niger Delta militancy" of the late 1990s and 2000s emerged, transforming the region into a zone of conflict and instability that directly threatened the flow of oil itself. Initially, communities engaged in peaceful protests and appeals for justice, most famously the Movement for the Survival of the Ogoni People (MOSOP) led by Ken Saro-Wiwa. The state's response to these movements was often brutal repression, including the judicial murder of Saro-Wiwa and eight other Ogoni activists in 1995³⁴. This state violence crushed peaceful dissent and created a vacuum filled by armed militant groups like the Movement for the Emancipation of the Niger Delta (MEND). These groups sought to disrupt oil production through pipeline vandalism, kidnapping oil workers, and bunkering (large-scale oil theft) as a means of drawing attention to their plight and claiming a share of the resource wealth in the late

1990s³⁵. The region was plunged into a cycle of violence, militarization, and instability that continues to threaten national security and economic production. Beyond the Niger Delta, the oil economy damaged the nation's social fabric. The immense inequality between the wealthy elites and the impoverished masses bred widespread social frustration and a breakdown of trust in public institutions. Corruption became normalized, and the notion of hard work and meritocracy was replaced by a desperate scramble for access to state patronage and oil rents. This fostered a national culture of desperation and "get-rich-quick" schemes at all levels of society, further eroding social trust and ethical values and contributed to a rise in social vices and crime across the country³⁶. The zero-sum struggle for resource allocation also exacerbated ethnic and religious tensions, as different groups sought to capture state power for the economic benefits it conferred, thereby weakening the bonds of national cohesion.

Conclusion

The period from 1990 to 2000 was a challenging decade for Nigeria, where the consequences of over-reliance on oil became acutely visible. Economically, The dependence on oil systematically dismantled Nigeria's diversified economic base through the mechanisms of the Dutch Disease. It replaced a productive economy with a rentier one, leaving the nation vulnerable to external shocks and trapping it in a cycle of poverty amidst plenty, where vast oil revenues coexisted with a collapsed agricultural sector, a stunted manufacturing base, and declining overall economic resilience. Attempts to

diversify the economy away from oil saw slow progress and did little to alter the fundamental structure of the rentier economy during this decade. The Structural Adjustment Program (SAP) adopted in 1986, defined the economic landscape of the early 1990s. Its policies of currency devaluation and trade liberalization, intended to diversify the economy, ultimately further crippled the non-oil sector.

The Collapse of Local manufacturers unable to compete with a flood of cheap imports, led to massive job losses. Furthermore, the removal of fuel subsidies led to a sharp increase in the cost of living. While the program introduced some market-oriented reforms and slightly improved fiscal indicators for the state, these were often implemented without the necessary institutions and regulatory frameworks, and at the devastating social cost of entrenched poverty and deindustrialization leading to new forms of economic distortion and corruption. Politically, the consequences of oil dependency were catastrophic for Nigerian governance. This era was marked by deep political instability under military rule. The state reached its peak of kleptocratic repression, in other words the rentier state model fostered a vicious cycle where corruption became the logic of governance, power was centralized and violently contested, and institutions were weakened to serve the interests of a kleptocratic elite. This fundamentally undermined democracy, fueled instability, and made the state an instrument of exploitation rather than development. Furthermore, the social consequences of oil dependency were the most humanly devastating. It created a nation of stark inequalities, where the promise of wealth dissolved into widespread poverty, and the

source of national income became a catalyst for environmental ruin and violent social conflict. The decade culminated in the martyrdom of peaceful activists and the birth of a violent, protracted conflict in the oil-producing region. The crisis in the Niger Delta stands as the ultimate testament to the profound social failure of the oil boom, a direct result of the political and economic models it engendered. The period stands as a stark testament to the devastating consequences of oil dependency. By the year 2000, Nigeria, despite its vast oil wealth, was a nation characterized by profound economic failure, deep political illegitimacy, and simmering social anger, a direct legacy of its reliance on oil proceeds.

Conclusively, Nigeria's singular dependence on oil revenue in the decades following the 1970s oil boom created a paradoxical situation. While it brought vast riches to the nation, it also resulted in a legacy of economic distortion, pervasive corruption, political instability, and deepened social inequalities, profoundly shaping the country's trajectory for the rest of the 20th century and beyond.

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CHAPTER FIVE

CONCLUSION

This research has conducted a comprehensive examination of the trajectory of the 1970s oil boom in Nigeria and its consequent establishment of an economic monoculture from 1970 to 2000. Each chapter has revealed a unique dimension of this topic,

progressing from the historical background of oil discovery and the rise of petroleum sector in Nigeria, the oil boom and the institutionalization of economic monoculture, and detailed the profound socio-economic and political consequences of depending solely on oil proceeds. The 1970s oil boom in Nigeria, while initially hailed as a catalyst for national development, ultimately bequeathed a mixed and complex legacy. Consequently, this chapter will restate the central thesis, summarize the core arguments, present a concluding perspective on the enduring effects of Nigeria's over-reliance on oil, and offer pragmatic recommendations for a sustainable economic future, drawing lessons from the past, ultimately arguing that breaking the cycle of the "resource curse" remains Nigeria's most pressing developmental challenge.

The first chapter established the essential groundwork for this research, outlining the context and background of the study. The trajectory of the 1970s oil boom in Nigeria and its resultant effect during the period of 1970 to 2000. By outlining the objectives of the study, this chapter critically examined the impact of the 1970s oil boom on Nigeria's economic structure, with specific emphasis on how the country's over reliance on crude oil exports between 1970-2000 led to socio-economic challenges, including neglect of other productive sectors, economic volatility and underdevelopment. The scope and methodology ensured that the study was well structured, allowing for both historical analysis and contemporary reflection. This chapter also included a literature review that linked the study to previous scholarship, thereby situating the work within broader academic debates on economic monoculture, diversification and development. In

summary, chapter one was not simply an introduction to the study but an established intellectual architecture upon which the subsequent discussions were built.

Chapter Two explored the historical background of oil discovery and the subsequent rise of the petroleum sector in Nigeria which created the conditions for an economic monoculture. This chapter traces the historical evolution of Nigerian's petroleum industry from pre-independence discovery to the oil boom era of 1970s establishing that the colonial-era discovery of oil and its post-independence development created the foundation for this dependency, with the state quickly centralizing control over this lucrative resource. It also examines the transition from an agrarian economy to a petroleum driven one and the political and global context that influenced Nigeria's economic policies.

Furthermore, Chapter two emphasized that the pre-independence era which was characterized by initial exploration efforts and the post-independence era was a watershed moment in Nigeria's history. While it brought immense wealth and the potential for a rapid development, it also sowed the seed of economic monoculture, neglect of non-oil sectors, and challenges related to governance and corruption that would shape the country's economic trajectory for the remainder of the 20th century.

The third chapter carried this historical narrative into the period between 1970-1980, this period was particularly significant as the Chapter offered a detailed analysis of how the oil boom catalyzed the "Dutch Disease," systematically dismantling the agricultural and manufacturing sectors and creating a volatile, rent-based economy

vulnerable to global oil price shocks. This chapter on oil boom demonstrated how the dramatic surge in oil prices during the 1970s led to an unprecedented inflow of petrodollars, which fundamentally altered the nation's economic structure. Chapter three also made clear that the institutionalization of economic monoculture as a result of oil boom entrenched a mono-resource economy in Nigeria, further leading to the neglect of agriculture and manufacturing, over reliance on oil revenue, and the growth of rentier state structure.

Chapter Four brought the discussion into sharper focus by examining the catastrophic socio-economic, and political dimensions of depending solely on oil proceeds which revealed a classical case of resource curse. Economically, the country suffered from Dutch Disease, as the boom in oil revenue led to the neglect of agriculture and manufacturing, making the economy highly vulnerable to global oil price fluctuations. The chapter also brought to light the attempts at reform like the Structural Adjustment Program (SAP) failed in the 1990s, exacerbating poverty. Politically, this chapter evaluates the broader consequences of monoculture on Nigeria's political system. The decade witnessed the apex of kleptocracy under General Abacha, where oil revenue fueled unprecedented corruption and repression. Nigeria evolved into a rentier state, where the government derived its legitimacy and resources from oil proceeds rather than from its citizens' taxes. This enabled a culture of corruption, erosion of democratic institutions, and a lack of accountability, which further fueled political instability and conflict, particularly in the oil-rich Niger Delta. Socially, it looks at the pattern of

inequality, and regional discontent particularly in the Niger Delta region. these injustices culminated in the environmental degradation and state violence in the Niger Delta, which sparked a transition from peaceful protest to armed militancy by the close of the century.

Taken together, the chapters of this study paint a profound picture of the resultant effects of oil dependency in Nigeria. Historically, the oil boom of 1970s represents both a missed opportunity and a cautionary tale for resource-rich nations. While it temporary brought immense wealth, elevated Nigeria's global standing, and provided resource for development, the absence of prudent management ensured that the wealth was not translated into long term prosperity. Instead, the period institutionalized economic monoculture, weakened the resilience of the economy, and left a legacy of dependency that continued to shape Nigeria's economic trajectory.

In conclusion, this research has shown that the period from 1970 to 2000 presents a clear paradox: immense resource wealth coexisting with pervasive poverty and underdevelopment. The chapters collectively reveals that the "oil boom" was in many ways a mirage; it created immense wealth but failed to translate into sustainable development or improved living standards for the majority of the population. Nigeria's experience is a textbook case of the "resource curse." it distorted the economy by killing incentive for productivity in non-oil sectors, creating a fragile, import-dependent economy. It brought about Corrupted Politics by turning the state into a prize to be captured for rent-seeking, fostering a culture of grand corruption and weakening public institutions. It also divided Society by exacerbating ethnic tensions and created

devastating social conflicts, most notably in the Niger Delta, where resource extraction destroyed livelihoods and sparked violence. The project has shown that Nigeria's over-reliance on a single commodity fostered a paradox of poverty in the midst of plenty. The hope and prosperity promised by the oil boom of the 1970s had, by the year 2000, given way to a reality of economic fragility, deep-seated corruption, political illegitimacy, and social inequality that Nigeria continues to face till today due to the failure to diversify the economy and build strong, transparent institutions during this era. This study was guided by the thesis that the 1970s oil boom fundamentally transformed Nigeria into a petro-state reliant on economic monoculture, a shift which engendered severe economic distortions, entrenched systemic corruption, and fueled widespread socio-political instability, ultimately hindering national development throughout the late 20th century

The significance of this study lies in its ability to mitigate the effects of the resource curse and steer Nigeria towards a more sustainable path; which includes Economic Diversification, strengthening governance and transparency, institutional reforms, sustainable resources management, empowering the citizens in other words investing in human capital. The government must implement aggressive, and a concerted effort which are paramount, targeted policies to revitalize and invest in the non-oil sectors. This includes a strategic focus on agriculture, manufacturing, and the technology and service industries. Policies that support small and medium-sized enterprises (SMEs) and encourage private sector growth are essential. This should include investment in rural infrastructure, access to credit, and technological modernization thus Reducing

reliance on oil. This is the only way to build a resilient economy that can create jobs and withstand global commodity price swings. Ensure transparent and public disclosure of oil contracts, licenses, and government revenues. Strengthening political and economic institutions is critical to ensuring good governance. This involves implementing measures to combat corruption, like strengthen anti-corruption agencies like EFCC with real political independence and judicial backing, promoting transparency in the management of oil revenues, and reinforcing the rule of law. Furthermore, Breaking the cycle of corruption is essential to ensuring that resource wealth benefits the populace rather than a narrow elite.

The government must adopt a more sustainable and equitable approach to managing its oil wealth. This includes establishing a robust sovereign wealth fund, investing a portion of oil revenues in future-oriented sectors like education, healthcare, and infrastructure, focusing on quality and accessibility. A healthy, educated population is the most valuable resource any nation can have and is the true foundation for long-term, sustainable development that is not tied to finite natural resources. Furthermore, in other to resolve the Niger Delta Crisis the government should organize a genuine, UN-supervised environmental cleanup of Ogoniland and other affected areas, also meaningful dialogue with communities to address grievances and provide avenues for peaceful participation in the oil economy, and ensuring that the host communities in the Niger Delta receives a fair share of the proceeds, thus creating a Sustainable peace in the Niger

Delta, which is a prerequisite for national stability and securing the oil production that remains crucial in the short term.

The relationship between the state and its citizens must be redefined. By moving toward a more accountable government that is funded by citizen taxes, the social contract can be restored. This would encourage citizens to demand better governance and service delivery. Finally, the history of Nigeria's oil boom from 1970 to 2000 is a cautionary tale for resource-rich nations. The attractive but dangerous prospect of easy money from oil can stifle economic creativity, weaken political institutions, and sow the seeds of social discontent. To break free from this cycle, Nigeria must learn from the mistakes of the past and implement fundamental reforms outlined above, as they are crucial for building a more resilient, diversified, just, prosperous, and equitable economic future.

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