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Article

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THE STATE, POLITICAL ELITES AND PUBLIC POLICY IN NIGERIA: UNDERSTANDING THE POLITICS OF FUEL SUBSIDY REMOVAL

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Abstract

Fuel subsidy removal has emerged as one of the most contentious public policy issues in contemporary Nigeria, reflecting deeper structural tensions on the economy, the citizen's wellbeing and security. This paper revisits the relationship between the state, political elites, and public policy formation through the lens of fuel subsidy reform. Building on earlier theoretical insights into elite dominance and state capacity, the study integrated contemporary political economy literature with empirical evidence from Nigeria's subsidy reform episodes. Relying on qualitative political economy approach complemented by quantitative fiscal analysis covering the period 2010–2025, the study examined the evolution of Nigeria's subsidy regime, the failed reform attempt of 2012 under Goodluck Jonathan, and the more enduring removal announced in 2023 by Bola Ahmed Tinubu. The findings suggest that reform durability depends less on fiscal necessity alone than on the configuration of elite cohesion, institutional credibility, and the management of distributive conflict. While subsidy removal may alleviate fiscal pressure and expand policy space, its developmental impact depends on the effective reinvestment of savings, institutional accountability, and the restructuring of Nigeria's rent-dependent political economy. The paper contributes to comparative political economy scholarship by demonstrating how subsidy politics serves as a diagnostic lens for understanding state capacity, elite circulation, and policy reform in resource-dependent states. The paper argued that the politics of fuel subsidy removal cannot be understood solely as a technocratic fiscal adjustment; rather, it represents a critical arena in which elite bargaining, distributive legitimacy, and macroeconomic constraint intersect.

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Keywords: Fuel Subsidy Removal, Nigeria, Political Economy, Political Elites, Public Policy, Rentier State.

Introduction

The crisis of public policy in Nigeria has been a persistent subject of scholarly interrogation. From the early decades of independence to the present democratic era, successive governments have struggled to translate formal authority into effective and socially equitable policy outcomes. While conventional explanations often attribute policy failure to corruption, technocratic incompetence, or weak institutions, such interpretations risk obscuring deeper structural dynamics embedded in the character of the post-colonial state and the configuration of political elites. This paper revisits the foundational relationship between the state, political elites, and public policy in Nigeria through a contemporary and analytically focused lens: the politics of fuel subsidy removal. Fuel subsidy reform constitutes one of the most contentious public policy issues in Nigeria's Fourth Republic. Recent scholarship highlights how the removal of fuel subsidies has become a central axis of fiscal reform debates in Nigeria, reflecting the wider challenges of macroeconomic stabilization in resource-dependent states (Adesina, 2023; World Bank, 2024). It sits at the intersection of fiscal sustainability, distributive justice, elite rent-seeking, and mass political mobilization. Two major reform episodes, namely, the partial removal of subsidy in 2012 under President Goodluck Jonathan and the full removal announced in 2023 under President Bola Ahmed Tinubu, come under focus in this study. While the President Jonathan reforms triggered nationwide protests, President Tinubu fuel subsidy removal in 2013 did not, perhaps due to elite realignments, in spite of inflationary shocks, and intense public debate. As of 2024–2025, continuing disputes over pricing mechanisms, exchange-rate pass-through, and the commercial restructuring of the Nigerian National Petroleum Company Limited (NNPCL) demonstrate that subsidy politics remains central to Nigeria's political economy.

This paper argues that fuel subsidy removal cannot be adequately understood as a technocratic fiscal reform. Rather, it is best conceptualized as a site of structured contestation embedded in the historical formation of the Nigerian state, the class character of political recruitment, and the prevailing ideology of development. Building upon a synthesized framework that integrates elite theory and political economy approaches to the state; the paper contends that the quality and character of public policy in Nigeria remain conditioned by the structural features of the post-colonial state and the configuration of elite power. Fuel subsidy politics therefore provides a strategic empirical window into the broader dynamics of state capacity, elite cohesion, distributive conflict, and ideological transition in post-colonial Africa.

Reframing the Post-Colonial State

The Nigerian state emerged from colonial rule as a highly centralized administrative apparatus superimposed upon a socially fragmented and economically dependent society. Like many post-colonial states, it inherited bureaucratic structures designed for extraction rather than developmental transformation. Early Marxist and neo-Marxist analyses conceptualized such states as instruments of dominant classes or as relatively autonomous bureaucratic formations mediating class interests (Miliband, 1969; Poulantzas, 1973). African political economy scholars later adapted these frameworks to explain the peculiarities of post-colonial governance, emphasizing class formation, state dependency, and elite accumulation (Ake, 1981; Joseph, 1987).

Simultaneously, competing interpretations portrayed African states as “soft” or institutionally weak, characterized by enforcement deficits, patronage networks, and policy–implementation gaps (Myrdal, 1968). Nigeria’s experience appears to combine elements of both perspectives: the state possesses substantial coercive and fiscal authority due to oil revenues, yet remains vulnerable to elite capture, distributive patronage, and policy reversals. The fuel subsidy regime vividly illustrates this duality. While the state commands legal authority to regulate pricing and allocate fiscal resources, it has repeatedly struggled to implement subsidy reform without elite fragmentation or mass resistance. The transformation of the Nigerian National Petroleum Corporation into commercially oriented Nigerian National Petroleum Company Limited (NNPCL) under the Petroleum Industry Act (2021) and subsequent reforms in 2024–2025 was designed to enhance transparency, fiscal discipline, and operational autonomy. Yet debates over revenue remittance, exchange-rate exposure, and implicit subsidy reintroduction reveal persistent structural tensions between commercialization and political control. These tensions underscore the importance of analyzing subsidy reform within a broader state-theoretical framework rather than as an isolated policy adjustment.

Political Elites and the Structure of Recruitment

Elite theory provides a complementary analytical lens. From Mosca and Pareto to C. Wright Mills, scholars have emphasized the inevitability of minority rule and the concentration of decision-making power within interconnected institutional hierarchies. Nigerian political development reflects this pattern of elite continuity and circulation across military and civilian regimes. Political recruitment processes mediated by party structures, patronage networks, and economic resources, have historically favored individuals embedded within dominant socio-economic strata, even when drawn from diverse ethnic or regional backgrounds. The concept of prebendal politics (Joseph, 1987) captures how state offices become vehicles for distributing rents to networks of supporters. Fuel subsidy regimes historically generated enormous distributive opportunities, including import licenses, foreign exchange allocations, and payment claims. As such, subsidy politics became embedded within elite patronage structures. Reform therefore threatened not merely fiscal flows, but entrenched patterns of accumulation and political coalition-building. At the same time, contemporary reform coalitions have increasingly invoked neoliberal developmental ideology emphasizing market efficiency, fiscal consolidation, and macroeconomic stabilization. The 2023 removal announcement was justified in terms of eliminating distortionary expenditure, reducing public debt, and redirecting savings toward infrastructure and social welfare. However, the social costs of price liberalization - rising inflation, transport costs, and real income erosion - intensified distributive conflict. The resulting palliative politics further demonstrated that subsidy reform operates within a broader matrix of elite bargaining and mass legitimacy.

Ideology of Development and Policy Contestation

Ideological orientation plays a critical mediating role in shaping public policy choices. In post-colonial Nigeria, development discourse has oscillated between state-led nationalism, structural adjustment reformism, and contemporary market-oriented pragmatism. Fuel subsidy has been alternately framed as a pro-poor social contract, a populist entitlement, a fiscal burden, or a distortionary rent-seeking mechanism. These competing frames reflect deeper ideological tensions regarding the role of the state in redistributing oil wealth. In the 2012-episode, subsidy removal was presented as necessary for fiscal stability and

infrastructural investment, yet mass mobilization under the “Occupy Nigeria” protests forced partial reversal. In 2023, removal was announced at inauguration of the Tinubu presidency, signaling elite determination and pre-empting coordinated resistance. Nonetheless, subsequent negotiations with organized labour and subnational governments revealed ongoing political recalibration. As debates in 2024–2025 over exchange-rate volatility and NNPC pricing transparency illustrate, subsidy politics continues to embody ideological struggle over the allocation of oil rents.

Research Question and Contribution

This paper addresses the following central question: Why has fuel subsidy reform in Nigeria repeatedly generated elite fragmentation, distributive conflict, and policy instability despite broad elite consensus on fiscal unsustainability? In answering this question, the paper makes three contributions to comparative political economy and African state studies:

- i. It re-theorizes subsidy reform as a structured arena of elite bargaining rather than a purely technocratic adjustment.
- ii. It integrates elite theory with state-centered political economy to explain policy outcomes in a resource-dependent context.
- iii. It updates debates on the post-colonial state by demonstrating how fuel subsidy politics reveals enduring characteristics of soft enforcement capacity, rentier dependence, and ideological transition.

Methodology

This study adopts a qualitative political economy approach to examine the relationship between the state, political elites, and public policy formation in Nigeria through the lens of fuel subsidy reform. The research combines historical institutional analysis with process tracing and political economy analysis to identify how structural economic constraints and elite bargaining dynamics have shaped subsidy policy outcomes. Particular attention is given to two critical reform episodes: the attempted fuel subsidy removal in 2012 under Goodluck Jonathan and the more enduring reform initiated in 2023 by Bola Ahmed Tinubu.

To complement qualitative analysis, the study incorporates multiple sources of descriptive quantitative data, providing empirical grounding for assessing the fiscal sustainability arguments frequently invoked in policy debates. First, fiscal and macroeconomic data covering the period 2010–2025 are used to assess the budgetary implications of fuel subsidy policies, including expenditure trends, debt dynamics, and exchange-rate movements. Second, documentary analysis of policy reports, government publications, and international financial institution assessments provides insight into the institutional and economic context of reform debates. Third, secondary scholarly literature on Nigeria’s political economy and comparative rentier state dynamics is used to situate the case within broader theoretical debates. No confidential interviews or human subject data were used; consequently, the research does not raise issues of personal confidentiality or participant risk.

By combining fiscal evidence with institutional and elite-centered analysis, the study seeks to explain not only why subsidy reform became fiscally imperative but also how political dynamics have shaped its trajectory and durability. This approach allows the study to move beyond purely economic explanations of subsidy removal and instead illuminate the complex interactions between state institutions, political elites, and societal actors that ultimately determine policy outcomes.

Limitations of the Study

Several limitations must be acknowledged. First, the political sensitivity of petroleum sector governance restricts access to some internal government documents. As a result, the study relies on publicly available records and secondary analyses for certain aspects of policy decision-making. Second, while the study provides a detailed examination of Nigeria's subsidy politics, the findings are not intended to produce universally generalizable conclusions. Instead, the study contributes analytical insights applicable to other resource-dependent political economies. Finally, the complexity of elite networks within Nigeria's political system means that some aspects of elite bargaining remain opaque. Nevertheless, triangulation of multiple sources helps mitigate this limitation.

Structure of the Paper

The remainder of the paper proceeds as follows. Section 2 develops the theoretical framework, synthesizing elite theory, neo-Marxist state theory, and contemporary political economy approaches. Section 3 revisits the structure of the Nigerian post-colonial state. Section 4 analyzes political elites and recruitment patterns. Section 5 presents a historical and contemporary analysis of fuel subsidy politics, including the 2012 and 2023 reform episodes and the 2024–2025 NNPC restructuring debates. Section 6 provides quantitative fiscal analysis. Section 7 examines elite bargaining and distributive conflict. Section 8 revisits and updates the state–elite–policy linkage model. The final section draws theoretical and policy implications for understanding public policy in post-colonial Africa.

Theoretical Framework: The Political Economy of Public Policy

Understanding the politics of fuel subsidy removal in Nigeria requires a theoretical framework capable of linking macro-structural characteristics of the post-colonial state with the micro-dynamics of elite behavior and policy choice. This section develops a balanced political economy synthesis drawing from (1) classical elite theory, (2) neo-Marxist state theory, (3) rentier state analysis, (4) political settlement theory, and (5) contemporary policy process approaches. The objective is not doctrinal alignment with any single tradition, but analytical integration sufficient to illuminate how public policy outcomes emerge within structured relations of power.

The State as a Structured Arena of Power

Any serious inquiry into public policy must begin with a theory of the state. As Miliband (1969) argued, the theory of the state is inseparable from the theory of society and of the distribution of power within it. Classical Marxist formulations conceived the state as an instrument of class domination, encapsulated in the well-known thesis that the modern state functions as a committee for managing the common affairs of the bourgeoisie (Marx & Engels, 1848/1977). Although such instrumentalism has been criticized as reductionist, it foregrounds an enduring analytical concern: the structural bias of state institutions toward dominant economic interests. Neo-Marxist theorists such as Poulantzas (1973) introduced greater nuance by conceptualizing the state as relatively autonomous, embedded in class relations yet possessing institutional coherence and strategic selectivity. In this view, the state is not a simple puppet of economic elites but a structured ensemble of institutions whose internal logic privileges certain interests over others. Strategic selectivity implies that while multiple actors compete within the state apparatus, the institutional terrain systematically advantages actors aligned with prevailing modes of accumulation.

In the Nigerian context, oil dependence fundamentally shapes this strategic selectivity. The post-colonial state derives a substantial portion of its revenue from

petroleum exports, reducing direct fiscal dependence on domestic taxation. This rentier configuration alters the social contract, weakening vertical accountability while intensifying elite competition over distributive access to oil rents. Consequently, public policy, particularly fuel subsidy policy, must be analyzed within the structural constraints imposed by rent-dependent state formation.

Elite Theory and the Concentration of Decision-Making Power

Elite theory complements state-centered analysis by directing attention to the actors who occupy strategic institutional positions. From Gaetano Mosca's "ruling class" to Vilfredo Pareto's "circulation of elites" and C. Wright Mills' (1956) "power elite," classical theorists converged on the proposition that a minority inevitably exercises decisive authority in complex societies. Even in democratic settings, decision-making power tends to concentrate within interconnected political, economic, and bureaucratic hierarchies. Pluralist scholars such as Dahl (1961) contested the notion of a cohesive ruling elite, emphasizing instead dispersed power and issue-specific coalitions. However, subsequent scholarship has demonstrated that pluralist competition often operates within structurally bounded arenas where dominant socio-economic actors retain disproportionate influence. In developing contexts characterized by resource dependence and weak institutionalization, elite cohesion may be more pronounced, particularly around core distributive mechanisms.

Nigeria's political development reveals patterns consistent with elite continuity and circulation across regime types. Military officers, career bureaucrats, business magnates, party financiers, and technocrats frequently intersect across institutional spheres. The concept of prebendalism (Joseph, 1987) captures the logic through which state offices are appropriated as instruments for distributing rents to supporters. Fuel subsidy regimes historically generated precisely such rents, through import allocations, foreign exchange access, and compensation claims, thereby embedding subsidy politics within elite patronage networks. Thus, elite theory directs analytical attention to how subsidy reform threatens established distributional arrangements. When reform initiatives disrupt entrenched rent circuits, elite fragmentation and political resistance become predictable outcomes. Conversely, when elite coalitions align around reform, often under conditions of fiscal crisis, policy implementation becomes more feasible, though not necessarily socially equitable.

Rentier State Dynamics and Subsidy Politics

Rentier State Theory offers an additional layer of explanation. Scholars such as Beblawi and Luciani (1987) and Karl (1997) have argued that states heavily reliant on external rents develop distinct institutional characteristics: distributive politics, limited productive diversification, and weak taxation-based accountability. In such contexts, subsidies function not merely as welfare instruments but as mechanisms for redistributing resource rents to maintain political stability. Fuel subsidy in Nigeria historically served as a visible manifestation of oil wealth sharing. Artificially low domestic fuel prices symbolized citizen entitlement to national resources. Yet the fiscal burden of subsidy grew significantly as import dependence increased, and exchange-rate pressures intensified. Reform efforts therefore confronted a dual dilemma: fiscal unsustainability on one hand and legitimacy risks on the other. The rentier lens clarifies why subsidy removal generates mass mobilization. Citizens perceive price liberalization as erosion of distributive rights in a context where alternative welfare provisions remain limited. At the same time, rentier structures incentivize elite actors to preserve opaque pricing mechanisms that enable rent

extraction. Thus, subsidy politics emerges as a conflict between fiscal rationalization and distributive expectations embedded in rentier state formation.

Political Settlements and Elite Bargaining

Political settlement theory further refines the analysis by conceptualizing governance outcomes as products of elite bargaining equilibria (Khan, 2010). A political settlement refers to the balance of power among contending elite groups and the institutional arrangements that stabilize that balance. Public policy reforms that disrupt established settlements risk destabilization unless compensatory bargains are constructed. Fuel subsidy removal can be interpreted as an attempt to renegotiate Nigeria's distributive settlement. Under conditions of mounting debt, foreign exchange crisis, and declining oil revenues, reformist coalitions may seek to reallocate rents away from subsidy beneficiaries toward infrastructure, debt servicing, or macroeconomic stabilization. However, unless alternative patronage channels or compensatory transfers are offered, affected elite factions may resist reform. The contrasting trajectories of the 2012 and 2023 reform episodes illustrate this logic. In 2012, elite fragmentation combined with mass protest to produce partial reversal. In 2023, reform was announced swiftly at inauguration, signaling elite coordination at the apex, yet subsequent negotiations with labor unions and subnational governments reflected ongoing settlement recalibration. Political settlement analysis therefore emphasizes the strategic sequencing of reform and the management of elite coalitions.

Ideology, Developmental Discourse and Policy Framing

While structural and elite-centered theories illuminate material interests, ideological framing shapes how policies are justified and contested. Development ideology provides cognitive maps through which elites interpret economic challenges and prescribe solutions. Post-colonial Nigeria has experienced ideological oscillation, from state-led nationalism to structural adjustment neoliberalism and contemporary market pragmatism. Fuel subsidy removal is typically framed within neoliberal discourse emphasizing efficiency, fiscal consolidation, and market rationalization. International financial institutions have consistently advocated subsidy reform as necessary to reduce distortions and redirect resources to targeted social investment. Yet domestic political narratives often recast subsidies as pro-poor redistribution. These competing frames influence public perception and mobilization. Ideology thus operates as an intervening variable linking elite preferences to policy choice. It conditions both recruitment, favoring technocratic actors aligned with reformist paradigms, and policy justification. However, ideological commitment does not eliminate structural bias. Even reformist policies may disproportionately burden lower-income groups in the absence of effective compensatory mechanisms. The "bias of the system" persists through institutional arrangements that privilege elite stability over distributive equity.

Toward an Integrated Analytical Model

Integrating elite theory with rentier state analysis provides a useful lens for understanding policy dynamics in resource-dependent economies. In such contexts, political settlements emerge from negotiated arrangements among elite factions competing over access to resource rents rather than productive taxation (Beblawi & Luciani, 1987; North, Wallis, & Weingast, 2009). Public policy outcomes therefore reflect the balance of power within these elite coalitions. Fuel subsidy removal thus becomes analytically significant because it sits precisely at the intersection of these variables. It tests the autonomy and capacity of the state, exposes the cohesion or fragmentation of elites, reveals the class character of

recruitment and circulation, and dramatizes ideological contestation over development strategy.

The Post-Colonial Nigerian State Revisited

If fuel subsidy politics is to be properly understood, it must be located within the structural evolution of the Nigerian post-colonial state. The character of the state - its fiscal foundations, institutional configuration, enforcement capacity, and relationship to society - conditions the possibilities and limits of public policy reform. This section revisits the Nigerian state through three interrelated prisms: (1) historical formation and centralization, (2) rent dependence and fiscal architecture, and (3) institutional capacity and the “soft state” problem in contemporary reform politics.

Colonial Inheritance and Post-Colonial Centralization

The Nigerian state emerged from British colonial rule as a highly centralized administrative apparatus designed primarily for extraction and order maintenance rather than developmental transformation. Colonial governance institutionalized indirect rule, fiscal centralization, and bureaucratic hierarchy, embedding a state form that stood structurally above society rather than organically rooted within it. At independence in 1960, the new political elite inherited this apparatus with limited transformation of its underlying logic. The discovery and commercialization of oil in the late 1960s and early 1970s radically altered the fiscal foundation of the state. Petroleum exports rapidly became the dominant source of government revenue, fundamentally reshaping federal–state relations and political competition. Military regimes consolidated control over oil rents through decrees centralizing resource ownership in the federal government. The oil boom of the 1970s reinforced this centralization, expanding bureaucratic structures and public spending while weakening incentives for productive diversification.

This trajectory produced what scholars describe as a rent-dependent or rentier state structure: a state financed predominantly by externally generated rents rather than domestic taxation (Karl, 1997). In such systems, the state’s fiscal autonomy from society reduces direct accountability pressures while intensifying elite competition for control of distributive channels. Oil rents thus became the primary medium through which political coalitions were built, maintained, and contested. Fuel subsidy policy emerged within this rentier context. Artificially low domestic fuel prices were politically sustainable when oil revenues were abundant. Subsidy functioned as a symbolic redistribution of national wealth, reinforcing the perception of oil as a collective patrimony. However, as refining capacity declined and import dependence increased, the fiscal cost of subsidy rose dramatically, transforming what had once been politically convenient redistribution into a mounting fiscal liability.

Fiscal Architecture, Oil Dependence and Macroeconomic Vulnerability

The fiscal architecture of the Nigerian state reveals the structural contradictions underpinning subsidy politics. Oil revenues historically accounted for most federal government earnings and foreign exchange receipts. This dependence exposes public finance to global oil price volatility, exchange-rate fluctuations, and production disruptions. Fuel subsidy cost is highly sensitive to exchange rates and international oil prices. When domestic pump prices are administratively fixed below import parity levels, the state absorbs the difference. As the naira depreciates or crude prices rise, subsidy expenditure expands rapidly. The 2012 and 2023 reform episodes occurred against the backdrop of severe fiscal strain, rising public debt, and foreign exchange shortages. Moreover, Nigeria’s

tax-to-GDP ratio remains comparatively low, reflecting limited diversification and weak non-oil revenue mobilization. This structural feature amplifies fiscal vulnerability. Because the state relies heavily on oil rents rather than broad-based taxation, distributive politics often substitutes for redistributive taxation-based social contracts. Fuel subsidy becomes a visible distributive instrument in the absence of robust welfare systems.

Debates in 2024–2025 concerning revenue remittance practices, foreign exchange exposure, and pricing transparency reveal that the passage of the Petroleum Industry Act (PIA) in 2021 and the subsequent commercialization of the former Nigerian National Petroleum Corporation into a limited liability company aimed to improve operational efficiency, reduce fiscal opacity, and align corporate governance with international standards, does not automatically eliminate political contestation over rent allocation. Thus, fiscal architecture reinforces the argument that subsidy politics cannot be separated from the broader political economy of oil dependence. Policy reform must navigate structural vulnerability, exchange-rate instability, and public expectations shaped by decades of distributive practice.

Institutional Capacity and the “Soft State” Thesis

While Nigeria possesses significant formal authority and resource endowments, enforcement and implementation capacity have often lagged policy ambition. The “soft state” thesis, originally articulated by Myrdal (1968), describes states in which formal rules coexist with weak enforcement, policy inconsistency, and pervasive informal negotiation. In such contexts, regulatory decisions are frequently modified through elite bargaining or undermined through selective compliance. Fuel subsidy history vividly illustrates these dynamics. Even when official removal has been announced, implicit subsidies have re-emerged through opaque pricing adjustments, exchange-rate interventions, or delayed remittances. The gap between formal policy declaration and effective implementation reflects deeper institutional fragility. Regulatory agencies, state-owned enterprises, and fiscal authorities operate within political constraints shaped by elite coalitions and distributive expectations.

The institutional triad of the Nigerian state - the executive, coercive, and ideological arms - plays a critical role in subsidy politics. The executive formulates policy, often invoking fiscal necessity. The coercive apparatus may be mobilized to contain protest. The ideological apparatus - media narratives, technocratic discourse, and official communication, frames reform as national interest. Yet the durability of reform depends on elite cohesion and public legitimacy rather than coercion alone. The 2012 reform episode under Goodluck Jonathan demonstrated the limits of enforcement capacity when confronted with mass mobilization and elite fragmentation. The announcement of subsidy removal triggered nationwide protests and strikes, forcing partial reinstatement. In contrast, the 2023 removal under Bola Ahmed Tinubu was announced at inauguration, pre-empting organized opposition and signaling elite resolve. However, subsequent negotiations over wage adjustments and palliative transfers reflected ongoing settlement management rather than unilateral state dominance. The soft state framework does not imply total incapacity. Rather, it highlights the permeability of state institutions to political bargaining and rent-seeking. Reform outcomes are contingent upon elite alignment, macroeconomic conditions, and the capacity to construct compensatory mechanisms that mitigate distributive backlash.

Federalism, Subnational Elites and Policy Diffusion

Nigeria's federal structure adds an additional layer of complexity to subsidy politics. Revenue allocation formulas distribute oil-derived funds across federal, state, and local governments. Changes in subsidy policy affect distributable revenue pools, influencing subnational fiscal planning. Governors, as influential elite actors, thus possess vested interests in subsidy decisions. When subsidy expenditures consume a large portion of federal revenue, distributable funds decline, generating tension across tiers of government. Conversely, subsidy removal may increase nominal distributable revenue but provoke inflationary pressures that strain subnational budgets. This intergovernmental dimension reinforces the need to analyze subsidy reform as a multi-level political process rather than a purely federal executive decision.

The Contemporary Moment: Reform, Crisis and Structural Transition

The 2023–2025 reform period marks a potential inflection point in Nigeria's political economy. Removal of fuel subsidy and exchange-rate unification were justified as necessary steps toward macroeconomic stabilization and long-term growth. Supporters argue that eliminating distortionary subsidies frees resources for infrastructure and targeted social investment. Critics contend that reform has imposed disproportionate burdens on lower-income households without guaranteeing structural transformation. Simultaneously, NNPC commercialization and refinery rehabilitation efforts, including domestic refining expansion, signal attempts to reconfigure the structural basis of petroleum governance. Whether these initiatives represent genuine transition toward a more productive developmental state or merely reorganization of rent distribution remains an open empirical question.

Implications for the State–Elite–Policy Nexus

Revisiting the Nigerian post-colonial state yields several analytical conclusions relevant to subsidy politics:

- i. **Rent Dependence:** Oil-derived revenue structures elite incentives and public expectations, making subsidy reform inherently political.
- ii. **Centralized Authority with Weak Enforcement:** Formal decision-making power coexists with negotiated implementation and vulnerability to elite capture.
- iii. **Fiscal Vulnerability:** Exchange-rate volatility and oil price fluctuations amplify subsidy costs, transforming distributive instruments into fiscal crises.
- iv. **Multi-Level Elite Interaction:** Federalism introduces additional bargaining arenas affecting reform stability.

These structural features confirm that fuel subsidy removal cannot be reduced to economic rationality. It is embedded within the historical evolution of a rent-dependent, distributively oriented, and institutionally negotiated state.

Political Elites, Political Recruitment and Development Ideology in Contemporary Nigeria

If the structure of the post-colonial Nigerian state establishes the terrain upon which public policy is contested, political elites constitute the actors who navigate, manipulate, and redefine that terrain. Fuel subsidy reform, more than most policy domains, reveals the configuration, cohesion, and ideological orientation of Nigeria's governing elites. This section examines three interrelated dimensions:

- i. elite configuration and circulation,
- ii. patterns of political recruitment and class continuity, and
- iii. the evolution of developmental ideology in the era of subsidy reform.

Elite Configuration and Circulation in the Fourth Republic

Elite theory begins from the premise that decision-making authority in complex societies is concentrated within a relatively small minority occupying strategic institutional positions (Mills, 1956; Mosca, 1939). In Nigeria's Fourth Republic (since 1999), this minority includes: executive office holders (president, ministers, governors), senior bureaucrats and technocrats, party financiers and political entrepreneurs, military-security establishment actors, oil-sector executives and major marketers, legislative leadership, influential business magnates, etc. These actors are not isolated; rather, they are interconnected across institutional hierarchies. Movement between political offices, corporate leadership, regulatory agencies, and party structures is common. Such circulation reinforces elite cohesion even amidst factional competition. Fuel subsidy regimes historically created dense networks of elite interdependence. Import licensing, foreign exchange allocation, and subsidy reimbursement processes generated significant rent opportunities. Political office holders, regulatory officials, and private sector operators often intersected within these networks. Consequently, subsidy reform threatens established circuits of accumulation. The 2012 subsidy crisis under Goodluck Jonathan exposed elite fragmentation. While technocratic reformers emphasized fiscal necessity, segments of the political class and oil marketing networks resisted rapid removal. Mass protests amplified these fractures, producing partial policy reversal.

By contrast, the 2023 announcement of removal under Bola Ahmed Tinubu reflected greater elite coordination at the apex of executive authority. The timing, immediately after inauguration, minimized pre-emptive bargaining. However, subsequent negotiations with organized labour and subnational leaders demonstrated that elite settlement recalibration remained necessary. Elite cohesion, while stronger at announcement, required continuous maintenance through palliatives, wage adjustments, and fiscal redistribution. Thus, elite configuration matters not only for policy initiation but also for policy durability.

Political Recruitment and Class Continuity

Political recruitment determines who gains access to state power and how elite circulation is structured. Recruitment in Nigeria occurs through a combination of electoral competition, party nomination processes, patronage networks, and financial gatekeeping. The high cost of electoral politics reinforces barriers to entry, favoring individuals with substantial economic resources or backing from established political patrons. While Nigeria's democratic framework allows for formal competition, access to candidacy and office remains mediated by party hierarchies and informal patron-client relationships. This pattern sustains what Joseph (1987) termed prebendal politics - the appropriation of state offices for distributive purposes. Recruits entering political office are socialized into prevailing norms of patronage, coalition maintenance, and elite bargaining.

From a class perspective, recruitment continues to display significant upper- and middle-class dominance. Business elites, professional classes, retired military officers, and established political families are disproportionately represented in high office. Although individuals from modest backgrounds may ascend, the process of "bourgeoisification" operates through income, status, and network integration once office is attained. Access to state resources reshapes social position and ideological orientation. Fuel subsidy politics interacts directly with recruitment structures. Office holders who are reliant on patronage networks may view subsidy retention as a tool for maintaining distributive alliances. Conversely, technocratic elites trained in economics and public finance, often with transnational exposure, may prioritize macroeconomic stabilization and fiscal discipline. The

tension between patronage-based and technocratic logics shapes reform trajectories. The 2023 reform coalition displayed stronger technocratic orientation, emphasizing fiscal consolidation, debt sustainability, and exchange-rate reform. However, the need to negotiate wage increases and cash transfer schemes revealed the persistent salience of distributive political logic. Recruitment patterns thus produce hybrid elite identities - simultaneously technocratic and patronage-oriented - whose policy preferences reflect this duality.

Developmental Ideology and Policy Framing

Ideology provides the cognitive framework through which elites interpret economic challenges and legitimize policy decisions. In Nigeria, developmental ideology has evolved through several phases:

- i. **Post-Independence Statism:** Emphasis on state-led industrialization and national control of resources.
- ii. **Structural Adjustment Era (1980s–1990s):** Adoption of neoliberal reform discourse—privatization, deregulation, and subsidy reduction.
- iii. **Democratic Era Hybridism (1999–present):** Coexistence of market-oriented rhetoric with distributive populism.

Fuel subsidy has been framed within each ideological phase differently. In periods of high oil revenue, subsidy was defended as pro-poor redistribution and evidence of state benevolence. During fiscal crises, it was portrayed as distortionary expenditure benefiting smugglers and rent-seekers. The 2012 reform effort emphasized reinvestment of savings into infrastructure and social services. However, public skepticism regarding governance credibility undermined legitimacy. Citizens doubted whether savings would translate into tangible benefits, reflecting low trust in state capacity. The 2023 reform on the other hand, was embedded within broader macroeconomic restructuring - exchange-rate unification, fiscal consolidation, and renewed engagement with international financial institutions. Developmental rhetoric emphasized long-term stabilization and investor confidence. Yet inflationary consequences and currency depreciation generated widespread hardship, prompting renewed debate about sequencing and compensatory policy design. Ideology thus functions as both justification and constraint. Reformist elites invoke economic rationality and global best practice. Opponents invoke distributive justice and social contract obligations. The ideological contest does not occur in a vacuum; it reflects deeper structural contradictions between rentier distribution and market-oriented restructuring.

Transnational Influence and Technocratic Networks

Contemporary elite formation in Nigeria is increasingly shaped by transnational networks. International financial institutions, credit rating agencies, multilateral lenders, and global investors influence macroeconomic policy discourse. Engagement with these actors reinforces reformist paradigms emphasizing subsidy removal, exchange-rate liberalization, and fiscal discipline. Technocrats occupying key finance and economic portfolios often possess international training and professional experience. This exposure aligns segments of the elite with global policy orthodoxy. However, transnational alignment may also intensify domestic legitimacy challenges if reform is perceived as externally imposed. Fuel subsidy removal therefore reflects interaction between domestic elite settlement and global economic pressures. Fiscal stress, debt servicing obligations, and investor sentiment create external incentives for reform. Yet implementation remains contingent upon domestic political management.

Elite Cohesion, Fragmentation and Reform Durability

Elite theory suggests that policy stability depends on relative cohesion among dominant groups. When elite factions share strategic interests, reform may proceed with limited resistance. When factional conflict intensifies, policy reversal becomes more likely. The durability of the 2023 removal remains subject to ongoing elite recalibration. Wage negotiations, palliative distribution, and intergovernmental revenue adjustments serve as mechanisms for maintaining settlement stability. If inflationary pressures persist without credible social mitigation, elite consensus could weaken. Thus, subsidy politics offers a diagnostic tool for assessing elite cohesion. It reveals whether governing coalitions can sustain redistributive restructuring in the face of distributive backlash.

Implications for the State–Elite–Policy Nexus

The analysis of political elites and recruitment yields several theoretical implications:

- i. Elite Circulation Sustains Structural Continuity: Movement across institutional spheres reinforces coherence of dominant interests.
- ii. Recruitment Barriers Reinforce Class Bias: Financial and patronage gatekeeping limit transformative outsider entry.
- iii. Ideological Hybridism Shapes Reform Framing: Market-oriented rhetoric coexists with distributive political logic.
- iv. Transnational Linkages Influence Policy Paradigms: Global financial pressures interact with domestic elite calculations.

Fuel subsidy removal therefore emerges not simply as an economic adjustment but as a strategic moment in elite bargaining and ideological repositioning. It reflects both continuity and adaptation within Nigeria's governing class.

The Political Economy of Fuel Subsidy in Nigeria: Historical Evolution and Reform Episodes

Fuel subsidy in Nigeria has evolved from a seemingly benign distributive mechanism into one of the most politically volatile public policy arenas in the country's contemporary history. Contemporary analyses emphasize that subsidy reform represents not only a fiscal adjustment but also a reconfiguration of entrenched distributive coalitions within Nigeria's political economy (Akinwale, 2023; Adeosun & Shittu, 2024). It embodies the structural contradictions of a rent-dependent state, the distributive imperatives of elite politics, and the ideological contest between populist entitlement and market rationalization. This section traces the historical evolution of fuel subsidy policy and examines in detail the reform episodes of 2012 and 2023, including unfolding debates in 2024–2025.

Origins and Institutionalization of the Subsidy Regime

Fuel price regulation in Nigeria dates to the early post-independence period when domestic refining capacity allowed the state to manage pump prices within a relatively stable fiscal environment. During the oil boom of the 1970s, low domestic fuel prices became politically entrenched as a visible dividend of oil wealth. With abundant foreign exchange and centralized revenue control, subsidy costs were manageable and politically expedient. However, structural weaknesses emerged over time. Domestic refining capacity deteriorated due to poor maintenance, underinvestment, and governance failures. By the late 1990s and early 2000s, Nigeria had become increasingly dependent on imported refined petroleum products despite being a major crude oil exporter. This paradox intensified fiscal exposure: subsidy payments were now tied to international import parity pricing and exchange-rate volatility. The subsidy mechanism evolved into a reimbursement system whereby oil

marketers imported petroleum products and were compensated for the difference between regulated pump prices and landing costs. The opacity of this system created opportunities for inflated claims, roundtripping, and rent extraction. Parliamentary investigations in the early 2010s revealed significant irregularities in subsidy administration, reinforcing perceptions that the regime disproportionately benefited politically connected actors. Thus, by the beginning of the 2010s, fuel subsidy was no longer merely a redistributive instrument; it had become embedded within elite accumulation networks, bureaucratic discretion, and fiscal strain.

The 2012 Reform Crisis under Goodluck Jonathan

On January 1, 2012, the administration of Goodluck Jonathan announced the removal of fuel subsidy, effectively doubling pump prices overnight. The government justified the decision on fiscal and developmental grounds, arguing that subsidy expenditure had become unsustainable and diverted resources from infrastructure and social investment. At the time, subsidy payments constituted a substantial share of federal expenditure. Rising global oil prices and declining domestic refining capacity had inflated import costs. The government framed removal as necessary to reduce fiscal deficits and redirect savings toward a proposed Subsidy Reinvestment and Empowerment Programme (SURE-P). The announcement triggered immediate nationwide protests under the banner of “Occupy Nigeria.” Organized labour unions, civil society organizations, and urban youth mobilized against the policy. Demonstrations paralyzed major cities and disrupted economic activity. Importantly, elite cohesion weakened during the crisis. Some political actors distanced themselves from the reform, sensing popular discontent. The military and security apparatus faced legitimacy constraints in enforcing compliance. Within weeks, the government partially reinstated the subsidy, reducing pump prices but not at pre-reform levels. Although partial deregulation persisted, the episode illustrates several theoretical propositions which entrenched political caution around subsidy reform for the next decade. These propositions are as follows:

- i. The vulnerability of reform to elite fragmentation.
- ii. The legitimacy deficit confronting technocratic policy framing.
- iii. The capacity of mass mobilization to alter distributive settlements.
- iv. The soft-state phenomenon, whereby formal policy declaration yielded to negotiated recalibration.

The 2023 Removal under Bola Ahmed Tinubu

On May 29, 2023, during his inauguration speech, Bola Ahmed Tinubu declared that “fuel subsidy is gone.” The announcement was abrupt, pre-empting extended consultation and signaling decisive executive intent. Unlike the 2012 reform, the 2023 removal occurred at the very beginning of a new administration. This timing minimized prior mobilization and demonstrated elite alignment at the apex of power. The decision was part of a broader macroeconomic reform package including exchange-rate unification and fiscal restructuring. Pump prices surged dramatically, reflecting import parity and currency depreciation. Inflation accelerated, transportation costs rose, and real household incomes declined. The removal occurred amid foreign exchange volatility, amplifying the price shock. To mitigate backlash, the administration announced cash transfer programs, wage negotiations with organized labour, and fiscal support for subnational governments. Unlike 2012, mass protests did not reach comparable intensity, though strikes and negotiations occurred. The relative durability of the 2023 removal suggests stronger elite cohesion and strategic

sequencing. However, durability remains contingent upon continued management of inflation, exchange-rate stabilization, and distributive compensation.

NNPCL Commercialization and the 2024–2025 Reform Debates

The 2023 removal unfolded within the institutional framework created by the Petroleum Industry Act (2021), which transformed the Nigerian National Petroleum Corporation into the commercially oriented Nigerian National Petroleum Company Limited (NNPCL). The reform sought, among others, to enhance corporate governance, increase transparency in revenue remittance, and reduce political interference in operational decisions. However, 2024–2025 debates across the nation revealed persistent ambiguity in pricing mechanisms and foreign exchange exposure. Questions emerged regarding:

- i. Whether implicit subsidies had re-emerged through exchange-rate concessions.
- ii. The extent of NNPCL's remittance compliance to the Federation Account.
- iii. The distributional effects of refinery rehabilitation and domestic refining expansion.

These debates underscore that commercialization alone does not eliminate structural rent dynamics. Instead, it reshapes the institutional channel through which rents are negotiated.

Table 1: Comparative Assessment - 2012 versus 2023

Dimension	2012 Reform	2023 Reform
Timing	Mid-term policy announcement	Inaugural declaration
Elite Cohesion	Fragmented	Relatively coordinated
Mass Protest	Nationwide, sustained	Limited, negotiated
Policy Outcome	Partial reversal	Ongoing implementation
Macroeconomic Context	High oil price but fiscal strain	Debt pressure, FX crisis
Institutional Context	Pre-PIA	Post-PIA, NNPCL commercialization

The comparison suggests that elite cohesion and strategic timing significantly influence reform durability. Yet structural constraints - rent dependence, inflationary impact, and distributive expectations - persist across both episodes.

Fuel Subsidy as Arena of Class and Settlement Reconfiguration

Fuel subsidy reform reallocates economic burdens and benefits across social classes and elite factions:

- i. Urban middle and working classes bear immediate cost increases.
- ii. Oil marketers lose guaranteed reimbursement streams.
- iii. Federal government may gain fiscal space, though subject to debt servicing obligations.
- iv. Subnational governments experience altered revenue flows.

The reform thus constitutes a reconfiguration of Nigeria's distributive settlement. Whether this reconfiguration produces long-term developmental gains or merely shifts rent circuits remains contingent upon broader structural transformation, particularly diversification, domestic refining capacity, and credible social investment.

Theoretical Implications

The empirical history of fuel subsidy politics confirms several theoretical propositions developed earlier:

- i. State Capacity is Conditional: Policy durability depends on elite alignment and macroeconomic context.

- ii. Elite Cohesion Determines Reform Trajectory: Fragmentation invites reversal; coordination sustains implementation.
- iii. Rentier Structures Shape Legitimacy Expectations: Citizens perceive subsidy as entitlement tied to oil wealth.
- iv. Ideology Mediates Policy Framing but Does Not Eliminate Distributional Conflict: Fuel subsidy removal therefore operates as a strategic lens through which the deeper dynamics of Nigeria's post-colonial political economy become visible.

Quantitative Fiscal Analysis: Subsidy Burden, Debt Dynamics and Macroeconomic Impact (2010–2025)

The preceding sections have established the structural and elite-centered foundations of fuel subsidy politics. This section complements that analysis with quantitative fiscal evidence. By examining subsidy expenditure trends, budgetary impact, public debt dynamics, exchange-rate movements, and pump price adjustments between 2010 and 2025, we empirically situate subsidy reform within Nigeria's broader macro-fiscal trajectory. The objective is not merely descriptive. Rather, the data illustrates how structural rent dependence, exchange-rate volatility, and fiscal vulnerability converged to make subsidy removal politically explosive yet economically compelling.

Federal Government Expenditure on Fuel Subsidy (2010–2024)

Fuel subsidy expenditure fluctuated significantly over the past decade, driven primarily by global oil prices, domestic refining capacity constraints, exchange-rate depreciation, and regulated pump price policy. Macroeconomic assessments indicate that subsidy expenditures prior to the 2023 reform imposed severe fiscal pressures, constraining capital investment and increasing debt-service burdens (International Monetary Fund, 2024; World Bank, 2024). The most striking feature is the dramatic escalation in 2021–2022. By 2022, subsidy expenditure exceeded ₦4 trillion, representing one of the largest single-line items in federal spending (see Table 2 below). This level was fiscally unsustainable given stagnant oil production and mounting debt obligations.

Table 2: Estimated Federal Government Expenditure on Fuel Subsidy (2010–2024)

Year	Estimated Subsidy Expenditure (₦ Trillion)	Key Context
2010	0.65	Rising import dependence
2011	1.9	Peak pre-2012 crisis
2012	1.35	Partial removal after protests
2013	0.97	Relative stabilization
2014	1.22	Oil price decline begins
2015	0.65	Lower oil prices
2016	0.14	Partial deregulation period
2017	0.15	Under-recovery mechanism
2018	0.73	FX pressures increase
2019	0.59	Rising import parity gap
2020	0.00*	COVID price crash; temporary suspension
2021	1.43	Global price rebound
2022	4.39	Record subsidy burden
2023	3.60 (Jan–May est.)	Removal announced May 2023

2024 Implicit/Residual adjustments Pricing transparency debates

*2020 saw temporary price adjustments due to global oil price collapse.

Subsidy as Percentage of Federal Budget and GDP

To assess fiscal burden, subsidy expenditure must be contextualized relative to total federal expenditure and GDP. In 2011 and 2022 particularly, subsidy consumed nearly one-quarter of total federal expenditure (see Table 3 below). This magnitude constrained capital investment and social spending. The fiscal crowding-out effect reinforced reformist arguments that subsidy retention undermined developmental priorities.

Table 3: Subsidy as % of Federal Budget and GDP

Year	Subsidy as % of Federal Expenditure	Subsidy as % of GDP
2011	~30%	~4%
2014	~20%	~3%
2018	~9%	~1%
2022	~23–25%	~2–2.5%
2023 (pre-removal)	~15%	~1.5%

Public Debt Growth and Fiscal Deficit Trends

Nigeria's public debt expanded substantially during the 2015–2023 period. Although subsidy is not the sole driver of debt accumulation, its fiscal weight contributed to widening deficits. By 2022, debt servicing consumed a very high proportion of federal revenue (see Table 4 below). In some quarters, debt servicing exceeded total retained revenue, underscoring severe fiscal stress. Under these conditions, maintaining subsidy at 2022 levels posed systemic macroeconomic risk. Thus, the 2023 removal occurred within a context of debt pressure, revenue shortfall, and foreign exchange crisis, not merely ideological preference.

Table 4: Public Debt and Fiscal Deficit Trends

Year	Total Public Debt (₦ Trillion)	Fiscal Deficit (% GDP)
2010	~12	~2.9%
2015	~27	~3.5%
2018	~22 (rebased figures differ)	~4.0%
2020	~32	~5.4% (COVID impact)
2022	~46	~5.8%
2023	~87*	~6%+

*Debt rebasing and exchange-rate effects significantly increased nominal figures by 2023.

Exchange Rate and Pump Price Movements

Because Nigeria imports a substantial portion of refined petroleum, exchange-rate movements directly affect subsidy cost. The naira experienced significant depreciation between 2015 and 2024. Exchange-rate unification in 2023 amplified domestic price adjustments (see Table 5 below). With removal of regulated pricing and currency depreciation occurring simultaneously, pump prices increased severalfold. This sequencing intensified inflationary effects and public hardship. The interaction between subsidy policy

and exchange-rate management illustrates structural vulnerability: a rent-dependent state with limited refining capacity remains exposed to external price shocks.

Table 5: Exchange Rate and PMS Pump Price Trends

Year	Official Exchange Rate (₦/\$ approx.)	Average Pump Price (₦/litre)
2010	~150	65
2012	~160	97 (post-partial removal)
2016	~305	145
2019	~360	145
2022	~430	165
2023 (post-removal)	~750–900+	500–700+
2024–2025	Market-reflective volatility	600–800+

Inflationary and Distributional Effects

Fuel price increases, transmit rapidly through transportation, food prices, and general consumer goods. Post-2023 removal, headline inflation accelerated significantly, with food inflation particularly severe. The distributional consequences were regressive in the short term:

- i. Urban wage earners experienced real income erosion.
- ii. Informal sector actors faced increased transport and operating costs.
- iii. Rural households faced food price transmission effects.

These impacts necessitated compensatory policies such as wage negotiations and conditional cash transfers. However, implementation capacity and targeting efficiency remained contested.

NNPCL Revenue Remittance and Transparency Debates (2024–2025)

Post-PIA commercialization introduced expectations of improved transparency and remittance discipline. However, debates emerged regarding:

- i. Whether NNPCL retained earnings for operational stabilization.
- ii. The extent to which foreign exchange volatility created quasi-subsidy conditions.
- iii. Delays in full remittance to the Federation Account.

These debates underscore that removal of explicit subsidy does not eliminate fiscal negotiation. Rather, it transforms the arena from overt budgetary allocation to corporate and exchange-rate management domains.

Empirical Implications for the Theoretical Model

The quantitative evidence reinforces the core theoretical claims advanced earlier:

- i. Structural Constraint: The magnitude of subsidy burden relative to expenditure and debt confirms fiscal unsustainability.
- ii. Exchange-Rate Vulnerability: Rent dependence and import reliance amplify subsidy volatility.
- iii. Elite Incentive Structure: High fiscal stakes intensify elite bargaining over reform timing and sequencing.

- iv. Legitimacy Trade-Off: Inflationary consequences create distributive backlash, requiring settlement management.

In short, the data show that subsidy removal was not optional in macro-fiscal terms. Yet the political explosiveness of reform derived from the same structural conditions that made it economically necessary.

Elite Bargaining, Policy Capture and Distributive Conflict in Subsidy Reform Politics

If Sections 5 and 6 established the historical and fiscal foundations of subsidy reform, this section returns to the agency dimension: how elite bargaining, coalition management, and distributive recalibration determine policy durability. Fuel subsidy removal in Nigeria cannot be explained solely by macroeconomic necessity; it must also be understood as a product of negotiated elite settlements within a rent-dependent state. The central proposition advanced here is that subsidy reform succeeds or fails depending on the configuration of elite cohesion, the structure of distributive coalitions, and the management of mass legitimacy.

Elite Bargaining in a Rent-Dependent Political Order

Elite theory suggests that stability in stratified societies depends on a minimum level of cohesion among dominant groups (Mosca, 1939; Higley & Burton, 2006). In rentier systems, where state revenues derive disproportionately from natural resources, elite competition is structured around access to distributable rents rather than productive taxation (Beblawi & Luciani, 1987). Nigeria approximates this pattern. Oil rents accrue centrally and are redistributed through federal allocations, contracts, subsidies, and regulatory discretion. Fuel subsidy historically functioned as both:

- i. A distributive channel benefiting politically connected marketers and intermediaries; and
- ii. A symbolic social transfer sustaining regime legitimacy.

Reform, therefore, disrupts entrenched rent circuits. It alters the equilibrium among factions within the ruling coalition, including oil marketing networks, political party financiers, subnational executives, bureaucratic agencies, security actors, and organized labour interlocutors. The sustainability of subsidy removal depends on whether reform generates a new equilibrium acceptable to these actors. The 2012 reform episode under Goodluck Jonathan illustrates the consequences of fragmented elite bargaining. Factors that contributed to the breakdown include the following:

- i. Insufficient Pre-Announcement Coalition Consolidation: Reform was announced without full consolidation of ruling party consensus and subnational alignment. Political elites facing electoral pressures distanced themselves from the policy.
- ii. Rent-Displacement Without Immediate Compensation: Oil marketers and intermediaries stood to lose guaranteed reimbursement streams. The absence of immediate alternative patronage channels intensified resistance.
- iii. Weak Public Trust in Reinvestment Mechanism: The SURE-P framework promised reinvestment of savings, but credibility deficits undermined acceptance. Citizens doubted that funds would be transparently deployed.
- iv. Opposition Opportunism: Political rivals capitalized on mass discontent to weaken the administration.

The result was rapid escalation of mass protests and partial policy reversal. Elite fragmentation combined with societal mobilization to constrain executive authority. The

episode exemplified what earlier sections described as the “soft-state” vulnerability of reform under conditions of limited settlement cohesion. The 2023 removal under Bola Ahmed Tinubu occurred under different elite conditions.

- i. **Timing and Agenda Control:** Announcing removal at inauguration prevented prolonged negotiation or mobilization prior to implementation. This pre-emptive strategy altered bargaining dynamics.
- ii. **Integrated Reform Package:** Subsidy removal was embedded within broader macroeconomic restructuring, including exchange-rate unification and fiscal consolidation. This linkage reframed reform as systemic adjustment rather than isolated austerity.
- iii. **Subnational Incentive Realignment:** Higher fuel prices increased nominal Federation Account revenues, benefiting state governments. This fiscal recalibration aligned subnational elites more closely with reform sustainability.
- iv. **Negotiated Labour Settlements:** While organized labour threatened industrial action, negotiations over wage increases and palliative programs mitigated escalation. Elite–labour bargaining replaced mass street mobilization.
- v. **Institutional Context: Post-PIA Environment:** The commercialization of the national oil company under the Petroleum Industry Act shifted the policy arena toward corporate governance and market-based logic, reducing overt political management of pricing.

These factors produced relative endurance. However, endurance does not imply full consolidation; it reflects ongoing renegotiation rather than definitive settlement.

Policy Capture and Institutional Reconfiguration

Policy capture occurs when narrow interests shape regulatory or fiscal policy for private gain. The subsidy regime historically exhibited characteristics of capture with inflated import claims, opaque reimbursement processes, and weak auditing controls. Reform alters the form but not necessarily the possibility of capture. Post-2023 debates have focused largely on, foreign exchange allocation for fuel imports, transparency of NNPC remittances, refinery rehabilitation contracts, and import licensing discretion. While the shift from explicit subsidy to market pricing may reduce overt fiscal leakage, yet new arenas of influence continue to emerge. Policy capture adapts to institutional change and this dynamic underscore a core theoretical claim; that is, structural transformation requires not only price deregulation but sustained institutional accountability.

Distributive Conflict and Social Contract Renegotiation

Fuel subsidy embodies a symbolic social contract in Nigeria: oil wealth should translate into visible citizen benefit, but removal challenges this expectation. From a political economy perspective, distributive conflict unfolds along several axis:

- i. **Vertical:** Federal versus subnational governments over revenue allocation.
- ii. **Horizontal (Elite):** Reformist technocrats versus rent-linked actors.
- iii. **Societal:** State versus organized labour and urban consumers.

The 2023–2025 period reflects ongoing renegotiation of this social contract. Cash transfers, wage adjustments, student loan schemes, and transport subsidies are mechanisms for recalibrating distributive balance. The durability of reform will depend on whether compensatory policies are perceived as credible, equitable, and sustained.

Inflation, Legitimacy and Elite Risk Management

High inflation following subsidy removal introduced legitimacy risks. Rising food and transport costs disproportionately affected lower-income households. Elite cohesion may weaken if economic hardship translates into electoral volatility or factional repositioning. Elite risk management strategies include:

- i. Expansionary subnational spending financed by higher nominal allocations.
- ii. Incremental social interventions
- iii. Communication framing emphasizing long-term gain.
- iv. Gradual stabilization of exchange rate

The political logic is clear: reform must generate observable macroeconomic stabilization before electoral cycles intensify distributive competition.

Theoretical Synthesis: Why 2012 Failed and 2023 Persists

Drawing together fiscal data and elite analysis, several explanatory variables emerge:

Variable	2012	2023
Elite Cohesion	Weak	Stronger
Timing Strategy	Mid-cycle	Inaugural
Fiscal Crisis Severity	High but manageable	Severe debt and FX stress
Subnational Incentives	Ambiguous	Improved allocations
Public Trust	Low	Still low, but crisis narrative stronger
Institutional Reform Context	Pre-PIA	Post-PIA commercialization

The combination of severe macro-fiscal pressure and coordinated elite alignment made 2023 reform more durable than 2012. However, durability remains conditional on macroeconomic stabilization and continued coalition management.

Implications for the Nigerian State

Subsidy reform reveals deeper characteristics of the Nigerian state:

- i. The State as Arena of Negotiated Rent Distribution: Policy shifts reflect recalibration of elite settlement rather than purely technocratic optimization.
- ii. Elite Agency within Structural Constraint: Macroeconomic crisis narrows options but does not eliminate bargaining politics.
- iii. Hybrid Legitimacy: The state relies simultaneously on fiscal prudence and distributive symbolism.
- iv. Institutional Transformation as Ongoing Process: Commercialization and deregulation reduce some distortions but create new governance challenges.

Fuel subsidy politics therefore exemplifies the dynamic interplay between structure and agency in post-colonial state formation.

Policy Lessons and Institutional Reform Pathways

The preceding analysis has demonstrated that fuel subsidy removal in Nigeria is not merely a fiscal adjustment but a structural reconfiguration of the post-colonial rentier settlement. It reflects deeper tensions between distributive legitimacy and macroeconomic sustainability, elite bargaining and public accountability, reformist ideology and social protection. This section moves from explanation to cautious prescription. Maintaining a balanced political economy tone, it outlines institutional, fiscal, and governance pathways necessary to transform subsidy removal from episodic crisis management into durable developmental recalibration. The argument advanced here is that subsidy removal, in isolation, cannot

produce structural transformation. Its developmental potential depends on five interlocking reform domains: fiscal credibility, energy sector restructuring, social protection institutionalization, subnational accountability, and political settlement management.

Restoring Fiscal Credibility and Revenue Discipline

Subsidy removal was justified primarily on fiscal grounds: excessive expenditure crowding out capital investment and exacerbating debt vulnerability. However, removal alone does not guarantee fiscal credibility. Without visible reallocation toward productive sectors, public skepticism intensifies. Three measures are central:

- i. **Transparent Earmarking and Reporting** - The federal government should institutionalize quarterly public reporting of savings from subsidy removal, allocation to capital projects, social protection expenditures, debt service obligations. Such transparency would mitigate credibility deficits that undermined reform in 2012. Institutionalizing independent audit review enhances reputational commitment.
- ii. **Debt Sustainability Framework** - With rising public debt following exchange-rate adjustments and fiscal deficits, credible debt management is indispensable. Clear medium-term fiscal frameworks linking revenue growth, expenditure ceilings, and borrowing limits are required.
- iii. **Revenue Diversification Beyond Oil** - Subsidy removal must coincide with expanded non-oil revenue mobilization, including improved tax administration and reduced leakages. Without diversification, fiscal vulnerability to oil price shocks persists, risking re-politicization of fuel pricing.

Energy Sector Restructuring and Domestic Refining Capacity

A paradox remains central to subsidy politics: Nigeria exports crude oil yet imports refined products. Structural reform requires reducing import dependence. The commercialization of the national oil company under the Petroleum Industry Act, transforming it into Nigerian National Petroleum Company Limited, was intended to enhance operational efficiency and governance discipline. However, commercialization must be accompanied by:

- i. **Transparent remittance compliance to the Federation Account.**
- ii. **Market-based pricing clarity devoid of opaque exchange-rate concessions.**
- iii. **Competitive access for private refiners and downstream operators.**

Domestic refining expansion, whether through state-owned rehabilitation or private mega-refinery investment, has the potential to reduce foreign exchange exposure. However, refining capacity alone does not eliminate governance risk. Pricing transparency, regulatory independence, and anti-capture safeguards remain essential. Structural transformation, therefore, requires shifting from import arbitrage rents to productive industrial value chains.

Institutionalizing Social Protection to Recalibrate the Social Contract

Fuel subsidy historically functioned as a universal but inefficient social transfer. Its removal necessitates replacement with targeted and institutionalized protection mechanisms. These include:

- i. **Cash Transfer Credibility** - Cash transfer programs must be data-driven and digitally verifiable, transparent in beneficiary identification, Shielded from partisan capture, institutional permanence is critical; ad hoc palliatives undermine trust.
- ii. **Transport and Urban Cost Mitigation** - Given the high pass-through effect of fuel prices to transportation, urban mobility support through regulated transit systems or temporary fare stabilization, can moderate distributive shock.

- iii. Wage Adjustment and Productivity Linkage - Public sector wage increases negotiated after removal should be linked to productivity reforms and fiscal sustainability. Otherwise, wage inflation may neutralize fiscal gains. The broader objective is to shift from implicit price subsidy to explicit social policy, transforming distributive politics into institutional welfare governance.

Subnational Accountability and Federal Fiscal Dynamics

Subsidy removal increased nominal revenue flows to subnational governments through higher federation allocations. However, developmental outcomes depend on the quality of subnational expenditure. To prevent decentralized rent dissipation:

- i. State-level fiscal transparency laws should be strengthened
- ii. Public procurement systems require digital traceability
- iii. Civil society budget monitoring must be enabled.

Without accountability at the subnational level, fiscal gains from reform risk reinforcing localized patronage networks rather than developmental investment.

Managing Elite Settlement Stability

Reform durability depends on maintaining elite cohesion without undermining democratic competition. Several strategic principles emerge:

- i. Sequencing Matters: Gradual exchange-rate stabilization reduces inflationary backlash
- ii. Compensation Before Consolidation: Immediate social mitigation enhances acceptance
- iii. Communication Strategy: Policy framing must emphasize long-term structural transformation rather than short-term austerity
- iv. Institutionalization Over Personalization: Reform sustainability requires embedding policy in law and regulatory institutions, reducing reliance on executive discretion

The contrasting experiences under Goodluck Jonathan in 2012 and Bola Ahmed Tinubu in 2023 demonstrate that elite coordination and timing shape outcomes, but enduring legitimacy depends on distributive credibility.

Avoiding Reform Reversal: Lessons from Comparative Political Economy

Comparative experiences from other resource-dependent states suggest that subsidy reform fails when:

- i. Savings are not visibly reallocated
- ii. Inflation remains persistently high
- iii. Political transitions reopen distributive competition.

Nigeria's electoral cycle introduces periodic uncertainty. Embedding pricing mechanisms within statutory frameworks and strengthening independent regulatory bodies reduces vulnerability to politicized reversal. Reform must evolve from executive declaration to becoming institutional norm.

From Rentier Adjustment to Developmental State

The wider theoretical question underlying this paper concerns whether subsidy removal signals transition from rentier distributive politics toward developmental state orientation. Such transition requires diversified productive base, industrial policy coherence, infrastructure investment, human capital expansion, and credible macroeconomic management. Subsidy removal may free fiscal space, but developmental transformation depends on how that space is utilized. Without strategic investment, reform risks being perceived merely as redistributive contraction. Thus, subsidy reform should be

conceptualized not as an endpoint but as an inflection point within Nigeria's post-colonial political economy.

Conclusion: Reinterpreting the Nigerian State through the Politics of Fuel Subsidy

This paper set out to revisit and update an earlier theoretical inquiry into the relationship between the post-colonial state, political elites, and public policy formation in Nigeria. Using the politics of fuel subsidy removal as an empirical anchor, it has argued that public policy outcomes in Nigeria are best understood through the interaction of structural fiscal constraints, elite bargaining dynamics, and distributive legitimacy within a rent-dependent political economy. The analysis demonstrates that fuel subsidy reform is not merely a technocratic fiscal adjustment. Rather, it is a strategic arena in which the deeper contradictions of the Nigerian state become visible. These contradictions include the tension between rentier distributive expectations and macroeconomic stabilization, the interplay between elite cohesion and factional competition, and the ongoing renegotiation of the social contract between state and society.

Reaffirming the State-Elite-Policy Nexus

The theoretical framework developed in this paper emphasizes that the Nigerian state functions simultaneously as an administrative apparatus and as an arena of negotiated elite settlement. Political elites, comprising executive office holders, bureaucratic technocrats, business actors, and regional power brokers, exercise decisive influence over policy outcomes. Recruitment patterns, ideological orientations, and material interests shape how these actors interpret economic challenges and respond to reform imperatives. Fuel subsidy policy illustrates this nexus with unusual clarity. For decades, subsidy served as a mechanism through which oil rents were redistributed across multiple constituencies. It benefited consumers through artificially low pump prices while simultaneously generating opportunities for rent extraction among politically connected importers and intermediaries. As long as oil revenues remained relatively buoyant, this arrangement sustained a fragile equilibrium between fiscal capacity and distributive expectations. However, structural shifts, including declining oil production, exchange-rate pressures, rising public debt, and escalating subsidy costs, gradually eroded the sustainability of this equilibrium. The fiscal crisis that emerged in the early 2020s narrowed policy options and intensified pressures for reform.

Explaining Divergent Reform Outcomes

The comparative analysis of the 2012 and 2023 subsidy removal episodes reveals the centrality of elite cohesion and strategic timing in determining reform durability. The attempted removal in 2012 under Goodluck Jonathan encountered strong resistance because elite settlement fragmentation intersected with widespread public distrust. Mass protests, opposition opportunism, and insufficient compensatory mechanisms forced the government into partial policy reversal. The episode illustrated the vulnerability of reform initiatives when elite coordination is weak and social legitimacy fragile. In contrast, the 2023 removal under Bola Ahmed Tinubu has thus far demonstrated greater endurance. Announced at the outset of a new administration and embedded within a broader macroeconomic reform package, the policy benefited from stronger executive coordination and recalibrated subnational fiscal incentives. Negotiated settlements with organized labour and the introduction of palliative measures mitigated large-scale societal backlash. Nonetheless, the durability of the 2023 reform remains contingent. Inflationary pressures, exchange-rate volatility, and public perceptions of inequitable burden-sharing continue to shape the political viability of the policy.

Fiscal Imperatives and Structural Constraint

Quantitative analysis presented earlier in this paper underscores the magnitude of the subsidy burden prior to reform. By 2022, fuel subsidy expenditure exceeded several trillion naira annually, constituting a substantial proportion of federal government spending. At the same time, public debt and debt-servicing obligations were rising rapidly. These fiscal dynamics illustrate the structural constraint facing policymakers. Maintaining the subsidy regime at its previous scale would have further weakened fiscal sustainability and constrained developmental investment. In this sense, subsidy removal was not purely an ideological choice but a response to narrowing macroeconomic policy space. Yet structural necessity alone does not determine policy outcome. The political economy framework advanced here emphasizes that structural pressures operate through elite decision-making processes. Policy adoption reflects negotiated adjustments within the governing coalition rather than automatic responses to economic indicators.

Fuel Subsidy as Diagnostic Lens for the Nigerian State

The central contribution of this paper lies in demonstrating how fuel subsidy politics serves as a diagnostic lens through which the character of the Nigerian state can be interpreted. Several key insights emerge:

- i. The Nigerian state continues to exhibit characteristics of a distributive rentier system. Oil-derived revenues shape fiscal policy, elite competition, and citizen expectations. Subsidy politics reflects this underlying structure
- ii. Elite agency remains decisive in shaping policy outcomes. Reform durability depends on the capacity of governing coalitions to maintain internal cohesion while managing societal pressures
- iii. Legitimacy in the Nigerian political economy is closely tied to perceptions of equitable distribution of resource wealth. Policies that appear to withdraw benefits without credible compensatory mechanisms risk triggering resistance.
- iv. Institutional reform, such as the commercialization of the national oil company into Nigerian National Petroleum Company Limited may alter the organizational structure of the sector but does not automatically eliminate entrenched rent dynamics. Governance quality and accountability mechanisms remain critical.

Implications for Comparative Political Economy

Although this study focused on Nigeria, its findings resonate with broader debates in comparative political economy concerning resource-dependent states. Resource rents often enable distributive regimes that postpone difficult fiscal reforms. When structural shocks eventually force adjustment, governments confront the challenge of renegotiating established social contracts. The Nigerian experience illustrates how such renegotiation unfolds within hybrid political systems characterized by electoral competition, elite patronage networks, and fluctuating macroeconomic constraints. Fuel subsidy removal becomes both a fiscal reform and a political test of state capacity. For scholars of public policy and political economy, this case highlights the importance of integrating structural analysis with elite-centered approaches. Neither macroeconomic indicators nor elite strategies alone fully explain policy outcomes. Their interaction provides the most comprehensive analytical framework.

Prospects for Developmental Transformation

Whether subsidy removal ultimately contributes to developmental transformation remains uncertain. The fiscal space generated by reform must be translated into productive

investment, infrastructure development, and social protection systems capable of replacing inefficient universal subsidies. If savings are redirected toward strategic sectors and accompanied by institutional strengthening, the reform could mark an inflection point in Nigeria's economic governance. If not, it risks being perceived merely as another episode of distributive contraction within a persistent rentier structure. The challenge, therefore, lies not simply in removing subsidy but in constructing a credible developmental trajectory that aligns fiscal discipline with social inclusion.

Final Reflection

Three decades after the original analytical framework that inspired this paper was first articulated, the fundamental relationship between the Nigerian state, political elites, and public policy remains remarkably resilient. What has changed are the economic pressures and institutional contexts within which this relationship operates. Nevertheless, fuel subsidy removal in the 2020s has exposed both the constraints and adaptive capacities of the Nigerian political economy. It has demonstrated that policy reform is possible under conditions of severe fiscal stress, but that such reform must be embedded within negotiated elite settlements and accompanied by credible distributive recalibration. Understanding this interplay between structure, agency, and legitimacy is essential for interpreting not only the politics of fuel subsidy but also the broader trajectory of governance and development in Nigeria's post-colonial state.

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