The Political Economy of Petroleum Products Pricing in Nigeria, 1986 to 2015

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ABSTRACT

This paper analyses the implications of the constant upward review of price of petroleum products in Nigeria on her political economy. The discovery of oil and its emergence as the major revenue earner in Nigeria held much promises for better life for the citizens, predicated on good governance. However, the reverse has been the case as the Federal Government under the guise of appropriate pricing or deregulation has subjected the citizenry to paying more for petroleum products through constant increases. The paper examines the impact of upward review of price of petroleum products on the politics, economy and the citizens of Nigeria. Utilizing secondary sources of data and the political economy approach, the paper was able to establish that upward pricing of petroleum products generates negative impacts on the politics, economy and the citizens of Nigeria. The paper recommends that constant and arbitrary increase of the price of petroleum products should be approached with caution as it has negative effects on Nigerian political economy. Rather, government should diversify the economy and as well rehabilitate the refineries instead of importing petroleum products from other countries of the world.

Key words: Petroleum, politics, economy, policy, Nigeria.

INTRODUCTION

Nigeria, OPEC's sixth largest crude oil producer, imports and pays the international prices for a natural resource it has in abundance due to provocative policies made by her insensitive leaders. In addition and as a consequence, the price of fuel was increased seventeen times between 1986 and 2015 in the country. The reasons advanced to justify the increase ranges from discouraging the activities of smugglers at the Nigeria boarders by pricing the product correctly or appropriately to reducing the huge amount of money government spent on subsidy with the ultimate objective of improving people's standard of living (Dike, 2009).

Other reasons put forward include; attracting investors into (oil and gas sector) the downstream/upstream sector and engendering competition, which would in turn bring down the prices of petroleum products. Also, that the cost of subsidizing importation has become unbearable for government to sustain. This is because Nigeria exports crude oil and uses the proceeds to import refined fuel for local consumption (Ikein, 1990).

Increases in the petroleum products prices have also been argued as a basis for recouping costs, including escalating production costs, overheads and transportation. Other reasons include disciplined consumption of the products and reduced cross-border smuggling reduced cross-border in domestic products handling a more efficiency and profitability in the oil industry (Okigbo, 1993:28).

According to Bafyau (1989), the IMF and the World Bank also believed that increasing price of petroleum products has the capacity to enhance the country's domestic earnings and reduce recurring budget deficits. The activities of the Bretton Wood institutions have influenced Nigeria's domestic pricing of the products more than

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anything else. Evidence abound that the incessant upward adjustment of the products prices have always left the people more socially dislocated and vulnerable (Bafyau, 1989).

By these reasons, it can be concluded that the main intention of increasing the prices of petroleum products by the government is to stabilize the economy in the face of international shocks, raise enough fund to off-set budget deficits and implement development programmes. These have led to instability and socio-economic problems as manifested in the realm of fiscal federation both by the inter-governmental struggle for greater share of monthly allocations, and the perpetual dependence of lower levels of governments on the Federal Governments for development of finance.

Consequently, the people are saddled with continuous increase in the cost of locally consumed fuel. NNPC, major and independent markets have become importers of petroleum products. This leaves the pricing of the products at the mercy of market forces and allows the refined petroleum importers to make abnormal profits at the expense of the country and its ordinary citizens.

These up-ward adjustments in the prices of petroleum products impact directly and immediately on two major sectors of the economy, that is, energy and transport. This has necessitated resistance of different dimensions from different groups in the society. For instance, under the SAP regime, beginning with the first of such adjustments in 1988, that is, two years into SAP proper, there were popular uprising and carefully organized protests by articulate interest groups such as Civil Society Organizations (CSOs), the Students and labour unions, etc.

The last in the series being the one jointly organized by the Nigerian Labour Congress (NLC), the Trade Union Congress (TUC) and their affiliates together with other interest groups such as the students union bodies and the CSOs. These groups had embarked on indefinite strike to protest the hike in petroleum product prices which Obasanjo’s regime did two days to the end of his administration after eight years of incessant increases and the hike done by the Goodluck Jonathan Administration in January, 2012.

In the face of mounting oppositions from these quarters, the government had to resort to draconian measures to push through routine price reforms in the sector. The consequences have always been dire for the masses; because the price adjustments now euphemistically called ‘appropriate’ or ‘correct pricing’, by their domino effects, often led to “correct” or “appropriate pricing of other values” in the economy at a time when real personal income are declining. Much as there was token relief measures offered by the government especially to the public sector workers, it had and has continued to mean very little in terms of actual benefits to the suffering poor.

It is on basis that this paper examines the implications of constant up-ward review of the prices of petroleum products with a view to establishing its impact on the political' economy of the Nigerian state.

**Statement of the problem**

Nigeria is a major world oil supplier, yet, the citizens have been subjected to untold hardship due to constant and upward oil price increases. The consequences of these increases have been enormous.

First, it has serious negative effect on the economy and development of Nigeria as it 'increases transportation costs, prices of goods and service, causes spiral inflation, increases cost of production and entrenches high level corruption in the public service, yet, the government is bent on continual increases in oil price.

Secondly, conflicts over oil policy have been known to result in the overthrow of regimes (Turner, 1978; Turner and Badru, 1985; Nore and Turner, 1980). It is also true that the business of oil companies have been undermined by the instability that prevails while the state losses huge sum of money during such instabilities. The Nation Newspaper of June 22nd 2007 recorded the losses that arose from a strike action embarked upon by the two major labour bodies (NLC and TU C), in Nigeria following an unpopular policy of increases in petroleum products prices by the Obasanjo administration in 2007.

Third, these actions and policies of the government have generated different levels of agitations, demonstrations, strikes and instabilities within the system. The organized labour body and other civil liberty organizations (CCOs) had embarked on the strike action at one period or the other to protest government’s policy of up-ward review of oil prices. Yet, government is undaunted and remains resilient in its pursuit of deregulation, privatization and continual increase in the prices of petroleum products.

These attitudes, actions and policies raise many puzzles, which this paper tries to address. The major problems here and which forms our research questions are:

- Does oil price increase impact positively on Nigerian politics and economy?
- To what extent has up-ward review of oil prices in Nigeria impacted positively on the welfare of citizens between 1986 to 2015.

**Objectives of the study**

The general objective of this study is to explore the connection between up-ward review of petroleum products prices, and the standard of living of the Nigerian masses. But specifically, the study intends to:

1) Determine if the extent oil price increases impact positively on Nigerian politics and economy;
2) Ascertain the extent up-ward review of oil prices in Nigeria impact on the citizens.
Significance of the study

The study is of triple importance. First, it assesses the theoretical understanding of the political economy of petroleum products pricing in Nigeria. It contributes to the theoretical debate on petroleum products price increase as the most appropriate for solving the problem of economic crisis.

Secondly, it shall complement existing literature in the area of petroleum products pricing. Thus, it shall serve as a reference material for students and researchers.

Finally, it will be useful in the making of policy recommendations. These recommendations shall assist in solving labour-state strained relations over the pricing of petroleum products pricing in Nigeria.

REVIEW OF RELATED LITERATURE

This review concentrates on two levels; the relationship between oil and instability on one hand and the pricing of petroleum products as a factor that affects the socio-economic conditions of the masses on the other hand.

The prospect for the transformation of the Nigerian economy through the development of the petroleum industry (especially through the increase of rent derivable from oil) has been a focus of study by many scholars. Kirk-Green and Rimmer (1981:91), argued that oil has increased the instability of public revenues and other macro-economic variables in Nigeria instead of developing the economy. Based on the forecast of world oil demand and prices, Okogu (1986), presents various scenarios for Nigerian oil between 1985 and the year 2000 and points to continued difficulties which will herald greater social conflicts as tighter austerity measures becomes necessary. Okugo (1986) also restates the futility of Nigeria’s total dependence on oil, a fact which places Nigeria at the mercy of imperialist designs. Caccia (1983) and Okigbo (1983), therefore made suggestions on how Nigerian should plan to depend less on oil revenue and minimize the risks inherent in it or at least endeavour to diversify the base of the economy with the huge revenues that accrue from oil sales.

In line with this thought, Falana (2008) observes that other oil producing third world countries are taking advantage of increased revenue from crude oil sales to invest in developmental projects while in Nigeria, the excess crude oil account has been declared illegal by the Yar’Adua regime. Hence, on a monthly basis, the “windfall” is now shared among the three tiers of government without any appropriation by the National Assembly.

Beblawi and Luciani (1987) argued that this situation is worsened by the rentier nature of the Nigerian economy. The peculiar nature of the petroleum-based economics conditions the political behaviour of the state. Thus, Hillman and Riley (1989) and Varian (1989) in their study argued that the contestability of rents and transfers and the modeling of rent-seeking behaviour correctly determine the measurement of associated welfare losses respectively. Thus, UNDP (2006) lamented that:

Bad governance—in terms of poor basic city and country planning, lack of improved human livelihoods, poor general utility satisfaction, poor quality of life, unemployment, poor management of biodiversity and the environment, poor infrastructural development, all within the scope of sustainable development—have remained largely unfulfilled.

According to the UNDP (2006), the activities of these oil companies coupled with government insensitivity towards the poor conditions of living of the masses necessitated majorly by the incessant hike in petroleum products prices have often led to protests and civil unrests of different dimensions by trade union groups and the Civil Liberty Organizations (CLOs).

Okeke (2007) notes that such government policy of deregulating the oil industry and increasing the prices of its products lack integrity, because import-driven downstream liberalization was simply unsustainable if the eventual goal was to deepen the real sector of the economy. Therefore, the import driven policy was no more than escapism from the grim reality, where the situation called for radical new thinking on how to solve the problem.

Globally, petroleum has been, and still remains a major source of energy alongside others such as coal, uranium, hydro-electronic power, direct solar energy, geothermal energy and biomass. The petroleum products are multifarious; they are graded into “main products” which are essentially white oils and black oils and specialized products of lubricants, and bitumen arid liquefied petroleum gas (Akanbi, 1984).

The pricing of petroleum products domestically or internationally hardly approximates the concern of price theory with the operations of market mechanisms. Everywhere, and as for other values, the State impinges on producers and consumers free choice to varying degrees (Levenson and Solon, 1964). Concepts like “removal of oil subsidy” and “appropriate” or “correct” pricing of petroleum products often have ideological background depending on the policy of the government at the time. For instance, under the regime of SAP promoted by IMF and the World Bank, it was called the withdrawal of petroleum subsidies on petroleum products.

Revenue receipted from oil tended to shape official spending. Such receipts provide the government with an economic power which facilitates structural diversification of the economy. Oil production, therefore, has a strong and decisive influence on the nature or the economy of the nation. At the same time, oil valorization implies a definite relationship with the world market.

In all, the literature is perversive with negative consequences that up-ward review of the oil price has for the Nigerian economy, the citizens and the political system.
THEORETICAL FRAMEWORK

This study work adopts the Political economy approach as its framework of analysis. According to Gauba (2005:110) the approach, which started in economics in the eighteenth century, is primarily concerned with the study and practice of the management of national resources for the development and growth of national wealth.

Originally and conceptually, political economy focuses on such issues such as the problems of scarcity of resources in relation to wants of the society and the making and execution of public policies to confront them. In a broader sense, it focuses on those concepts and problems which are the common concern of economics and politics such as demands, costs, allocation of resources, utility impact of economic factors on political life and impact of political on economic life etc (Gauba, 2005: 110).

According to Tan et al. (2008), the three pillars of this framework of analysis are as follows:

Resources, which take the form of:

i) Natural endowment, or a country’s geographical positioning, its land area, natural resources, and its people;

ii) Inheritance, or the institutions of bureaucracy and government, and the political and legal systems in a country;

iii) Accumulation or the cyclical process that affects an economy’s stock of resources.

In this sense, the approach was considered relevant for this paper as it enabled the study to explore the dynamics of revenue generation in -Nigeria vis-a-vis petroleum products (which is a natural resources), the associated politics in the review of its prices, the effectiveness of the review and public reactions, government view of the effects and consequences of the policy.

It also enabled the study to investigate the unavoidable consequences such economic politics holds for both the economy and the citizenry in such sectors like transportation, industrial production, household living expenses, inflation and employment, etc.

The framework draws from these standard concerns but focuses above all on the conception of state-society relations, which is central to all political economy models. It has also been understood that the questions of ‘correct’ or ‘appropriate’ pricing controversy is at best, issues that border in political economy (Bankole, 1993). The framework above all, has been used successfully in other studies such as the study of the petroleum-rich Arab States (Beblawi and Luciani, 1987). Therefore, it can be applied to study such policy option for development in Nigeria.

Hypotheses

In this work, the following hypotheses were formulated to guide the study:

Hypotheses

H$_{1}$: Constant up-ward review of petroleum prices has negative impacts on the politics and economy of Nigeria.

H$_{2}$: Up-ward review of petroleum prices has negative impact on the welfare of citizens of Nigeria.

METHOD OF DATA COLLECTION AND ANALYSIS

The data used for this study are from secondary sources. Its primary sources include published textbooks, journals, conference and workshop papers, government publications and gazettes, internet materials, magazines and newspapers.

The analysis of the data generated was essentially qualitative though with simple summary statistics that is made up of tables and percentages of data they contain. The paper adopts content analysis as its method of drawing inferences.

DATA PRESENTATION AND ANALYSIS

IMPACT OF PETROLEUM PRODUCTS PRICE ON NIGERIAN ECONOMY

Between 1970 and 1980, the petroleum sector contributed over 90% of Nigeria’s foreign exchange earnings (Nwankwo, 1984: 12). Also, between 2001 and 2007, the sector contributed over 90% of Nigeria’s foreign exchange earnings (CBN, 2008). However, at the larger economic and social levels, the oil boom of the 1970s induced huge structural shifts in the economy. It generated complex changes in the structure of employment, production and general price level. Huge expenditures out of oil money unleashed high inflation which adversely affected even the food sector. The subsequent oil price slump in the 1980s failed to reverse the main effects, inter-alia, because of ‘State behaviour’ (Collier, 1987, 1978).

The unstable nature of oil prices at the international market led to non realization of revenue projection and the total collapse of the oil market in 1986 led to the introduction and implementation of SAP as advocated by the International Monetary Fund (IMF), ostensibly to stave off-national bankruptcy.

In addition, the demand for petroleum products in Nigeria has been on the increase such that the rate of demand has always outstripped local production capacity. For example, in 1980, Nigeria produced 5.9 million metric tons while consumption was 6.3 million metric tones. By 1987, the figures for production and consumption were 2.5 and 5.4 million metric tones respectively (Ikeh, 1991:34).

These factors necessitated the need for increased supply of petroleum products. Under the Fourth National Development Plan (FNPD), about 750 million naira was voted for direct exploration activities of the NNPC, and 3 billion naira for capital funding of joint-venture activities.
Between 1985 and 1990, a country-wide network of about 3,000 km products pipeline was constructed to link storage terminals or depots in 17 towns (Ikeh, 1991:43). The pipelines handled PMS, DPK and AGO. The first refinery at Port Harcourt was expanded, and besides those at Warri and Kaduna, a new Port Harcourt refinery was constructed for exports. In 1993, it was estimated that the total capacity of Nigeria’s refineries was 445,000 barrels per day (bpd), out of which 300,000 bpd is reserved by government for domestic consumption. This leaves about 145,000 bpd for export (The Guardian 1993, 1995).

In pursuit of its goals of achieving fiscal balance due to annual deficit appropriation, the Federal Government embarked on constant up-ward review of the prices of petroleum products. The issue of appropriate pricing came to the fore with the Federal Government’s introduction of economic recovery programme, SAP, in 1986. It was also designed in such a way that when permanently faced with expenditure obligation, the nation strove to expand its financial base inter-alia, through increasing the prices of petroleum products. This is the euphemism of subsidies withdrawal, or ‘correct’ or ‘appropriate’ pricing.

The analysis of price trends in the sector revealed that in January, 1986, the price of petrol was increased form 30 kobo/L to 39 kobo. In April 1988, government further raised the price of petrol (PMS) to 42 kobo/L thus, showing a 6.3% increase in the price of the product. Similar increases affected other products like kerosene (DPK) and diesel (AGO) (Table 1). Price of lubricants did not change.

Considering the pervasive increases in the prices of petroleum products, one expects Nigerian economy to grow at a hyper rate. On the contrary, the effect of fuel price increase to the growth and development of the Nigerian economy has exacerbated Nigerians economic crises. For instance, an examination of the effect of increase of fuel price on the country’s Gross Domestic Product (GDP), Government Revenue, employment and inflation revealed the following:

- Since 1978, the fuel price increase has negatively contributed to the country’s GDP downward trend. In 1978, the fuel price increased to 15%, while GDP fell by 5.8%. In 1982 the price rose to 20 kobo, while GDP fell by 0.2%. In October, 1994, the fuel price fell from N 15.00 per litre to N 11.00 per litre and stood till 1998, while GDP fell by 0.6% in 1994 and rose to 2.6% in 1995 (Nkoro, 2003). The interesting trend that is revealed in the analysis earlier mentioned is the negative relationship between fuel price and GDP since the deregulation policy. Thus, any time the fuel increases the GDP tend to decrease.

<table>
<thead>
<tr>
<th>Year</th>
<th>PMS</th>
<th>DPK</th>
<th>AGO</th>
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</thead>
<tbody>
<tr>
<td>1986</td>
<td>0.39</td>
<td>0.10</td>
<td>0.29</td>
</tr>
<tr>
<td>1988</td>
<td>0.42</td>
<td>0.15</td>
<td>0.35</td>
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<tr>
<td>1989</td>
<td>0.70</td>
<td>0.50</td>
<td>0.55</td>
</tr>
<tr>
<td>1993</td>
<td>8 Nov. to 21 Nov. 5.00 to 3.25</td>
<td>8 Nov. to 21 Nov. 4.50 to 2.75</td>
<td>8 Nov. to 21 Nov. 4.75 to 3.00</td>
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<tr>
<td>1994</td>
<td>11.00</td>
<td>6.00</td>
<td>9.00</td>
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<tr>
<td>1997</td>
<td>20.00</td>
<td>17.00</td>
<td>20.00</td>
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<tr>
<td>2000</td>
<td>22.00</td>
<td>17.00</td>
<td>21.00</td>
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<tr>
<td>2002</td>
<td>26.00</td>
<td>n.a</td>
<td>n.a</td>
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<tr>
<td>2003</td>
<td>40.00</td>
<td>n.a</td>
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<tr>
<td>2004</td>
<td>48.00</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>2005</td>
<td>7 April to 6 Aug. 52.00 to 65.00</td>
<td>n.a</td>
<td>n.a</td>
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<tr>
<td>2007</td>
<td>28 May to 25 June 75.00 to 7.50</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>2008</td>
<td>After four days strike 65.50</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>2012</td>
<td>97</td>
<td>50</td>
<td>110</td>
</tr>
<tr>
<td>2015</td>
<td>86.50</td>
<td>50</td>
<td>110</td>
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- It is equally surprising to note that fuel price increase has a negative significant impact on government revenue. As documented by Orubu (2003:59 to 82), in 1982, the fuel price increased to 20 kobo, while total federally collected revenue fell to N 11, 764 million. In 1986 fuel price rose to 39.5 kobo, while government revenue fell to N12, 382 million. However, the fuel price, in 1993 and 1994 fell to N3.50 and N11.00 per litre respectively, while government revenue rose to N 138,874 million and N20 1,911 million respectively. In 1998, fuel price rose to N25.00 per litre, while government revenue fell to N463,609 million (Orubu, 2003). This data showed that with increase in fuel price, which is expected to generate much of income for the government, government revenue drops. It is therefore clear that the policy of up-ward review of the price of petroleum is politically motivated to provide enough funds for high level embezzlements or fraud and not because of government’s development agenda as claimed. It suffices to say that there is high level of corruption in the petroleum industry. The fact remains that increased prices of petroleum products does not enhance government revenue and/ or economy (Orubu, 2003).

- It has been observed that labour demand is influenced by
Table 2. Inflation rate in Nigeria (1986 to 2015).

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation rate</th>
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<tbody>
<tr>
<td>1986</td>
<td>5.4</td>
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<tr>
<td>1987</td>
<td>10.2</td>
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<tr>
<td>1988</td>
<td>38.3</td>
</tr>
<tr>
<td>1989</td>
<td>40.9</td>
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<tr>
<td>1990</td>
<td>7.36</td>
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<tr>
<td>1991</td>
<td>13.0</td>
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<tr>
<td>1992</td>
<td>44.5</td>
</tr>
<tr>
<td>1993</td>
<td>57.1</td>
</tr>
<tr>
<td>1994</td>
<td>57.0</td>
</tr>
<tr>
<td>1995</td>
<td>72.8</td>
</tr>
<tr>
<td>1996</td>
<td>29.2</td>
</tr>
<tr>
<td>1997</td>
<td>8.52</td>
</tr>
<tr>
<td>1998</td>
<td>9.90</td>
</tr>
<tr>
<td>1999</td>
<td>6.6</td>
</tr>
<tr>
<td>2000</td>
<td>6.9</td>
</tr>
<tr>
<td>2001</td>
<td>18.8</td>
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<tr>
<td>2002</td>
<td>12.8</td>
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<tr>
<td>2003</td>
<td>14.0</td>
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<td>2004</td>
<td>14.9</td>
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<tr>
<td>2005</td>
<td>17.8</td>
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<td>2006</td>
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<td>2007</td>
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<td>2008</td>
<td>11.5</td>
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<td>2009</td>
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<td>2010</td>
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<td>2011</td>
<td>10.8</td>
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<tr>
<td>2012</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>8.4</td>
</tr>
<tr>
<td>2014</td>
<td>8.0</td>
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expected wage rate, while labour supply is influenced by expected real wage rate. Thus, wage legislation has affected labour market negatively. In 1982, petrol price rose to 20 kobo, while unemployment stood at 0:1.1%. During the period 1986 to 1990, fuel price rose to 60 kobo, while unemployment fell to 3.4%. Between 1991 and 1992 the price of oil rose to 70 kobo, while unemployment stood at 3.8 and 4.0% respectively (Orubu, 2003). This experience has tended to increase with wide margin since 1999. Thus, increased unemployment rate existed during the periods of increased prices of petroleum products.

- The hike in the prices of petroleum products has tended to increase inflation and transportation cost in Nigeria. However, it must be admitted here that increase in the pump price of oil is not the only factor determining the rate of inflation, but inflation in Nigeria has always responded to such increases. Table 2 summarizes inflationary trend in Nigeria between 1986 and 2014 and this can easily be compared with the trend in the up-ward review of the prices of petroleum products. For instance, when the prices of the products were increased from 39, 10 and 2 kobo in 1986 to 42, 15 and 35 kobo for PMS and DPK and AGO respectively in 1988, the rate of inflation rose from 5.4 to 38.3%. Also, another round of increase in 1989 took the prices to 70, 50 and 55 kobo for PMS, DPK and AGO respectively and inflation rate also rose from 38.3 to 40.9% when the prices were further increased in 1993, inflation rate rose again from 40.9 to 57.3% and another increase in 1994 raised the rate to 72.8%.

These negative impacts on the economy experienced in the face of increases in the prices of petroleum products generated public agitations and demonstration that metamorphosed into civil actions against the government. Such actions as experienced during the anti-SAP riots and resistance against hike in prices of petroleum products such as strikes and demonstrations by the Nigerian Labour Congress (NLC) and organized Civil Societies have caused changes in government policies and even changes in administration. The anti-SAP riots forced General Babangida to introduce transition to civilian regime, although it was aborted.

Consequently, and appreciating the positive developments that accompanied mass and/or civil demonstrations they created, one can conclude that the increases caused political instability in the country.

Based on this, increases in the price of petroleum products has negative impact on Nigeria's political system and economic growth in as much as it causes instability and does not support the growth of key indices of economic development.
PETROLEUM PRODUCTS PRICING AND NIGERIAN CITIZENS

The government of the Federal Republic of Nigeria has always adduced many reasons to support the up-ward review of the price of oil. First is the argument that it will make more money available to the government for use in improving the quality of life of ordinary Nigerians. Secondly, the increase will make the products available to the people as price increases would discourage smuggling activities at the border. In the face of these reasons and arbitrary increases in the prices of petroleum products in Nigeria, it has been proved that the level of pauperization and the incidence of poverty have continued to be on the increase.

From all indications, there is no increase that did not induce hyper-inflation in the economy with its devastating effects on the citizenry. What ought to be the raison d’etre of the government have been ignored due to selfish tendency reinforced by widespread corruption pervading all sectors of the economy. With specific reference to inflation, Mba-Afolabi (1999), notes that the outrageous price increase had made life unbearable for Nigerians as prices of goods and transport fares had risen, forcing people to trek long distances.

The consequence of the observed increases in the general price level is the deterioration in the purchasing power of the naira thereby pushing more and more people below poverty line of less than US $1 per day. In fact, the United Nations Development Programme Annual Reports (2006) indicated that more than 60% of Nigerians were living on less than US$1 a day in 2006, and 70% in 2010. There is no evidence that the situation has changed for good instead, the poor socio-economic conditions that re-enforced poverty continued to deteriorate. For instance, unemployment rate in Nigeria hit the roof according to the World Bank Report (2007). The same report showed that the supplies of both portable water and electricity have collapsed in almost all the urban and rural areas of Nigeria.

The implication of the foregoing analysis is that Nigeria is very far behind other oil producing countries even in Africa in the provision of social services to the people. To this end, it can comfortably be inferred that the increases in the prices of petroleum products and any other such policies has not translated to improved living conditions for the people. Thus, its impact on the masses is negative.

Increases in the price of petroleum products cause political instability because agitations by the masses can lead to change of policies and government. The paper equally discovered that increase in the price of petroleum products impacts negatively on the country’s economic growth or development because it leads to inflation, corruption, low level of revenue generation and do not have positive impact on the country’s GDP. Above all, it has disastrous impact on the standard of living of the masses or citizens.

Increases in the prices of petroleum products is a cheap and easy way of generating additional funds for the government any time there is an imbalance in budget implementation resulting from internal and external shocks to the detriment of the masses. It is a policy that enables the government to devote a percentage of overall crude production sold in the world market to importation of refined petroleum products with the attendant inflation and transportation costs. This is a policy which many analysts have critiqued because it is not sustainable. Prices will continue to rise and as such, the subsidy which the government claims to be curtailing its periodic price hike will end up being destroyed as corruption has deepened the financial leakages and reinforced inefficiency in the petroleum sector.

Nigeria runs a national economy that is driven by and dependent on oil (petroleum products) whose sustainability hinges in the constant review of the prices of petroleum products. Over the years, revenue receipts from the sale of oil rents and taxes have dominated the composition of federal revenue except in 1986 when non-oil sources accounted for up to 41. 9% of federally collected revenue due to plummeting oil prices (CBN, 1994).

Government has always adopted the policy of bridging the nation’s budget deficits and increase federal disposable revenue only by increasing the prices of petroleum products or with threat to completely withdraw the subsidies.

CONCLUSION AND RECOMMENDATIONS

This study believes that the constant and up-ward review of the prices of petroleum products has been a disastrous policy because its impact on the economy, politics and people of Nigeria has been negative. This validates the hypotheses that form the bases of this research.

The intransigency of the Federal Government in up-holding its policy of upward price review is associated with raising enough revenue or fund for embezzlement by political office holders. This accounts for increased prices of petroleum products and increased quantity of sales but decreased revenue as the proceeds of price increase of petroleum products do not impact positively on the economic life of the citizens of Nigeria.

Given the far-reaching conclusions as earlier drawn, we therefore recommend that government should embark on genuine anti-corruption crusade in the petroleum industry. In addition, government should diversify the economy to erase its over-dependence on oil revenue, which in effect has been alleged to be responsible for constant and up-ward review of the oil price.

The argument on products prices increases has always been hinged on the cost of importing refined products from outside the shores of Nigeria. It is a crime against the people of Nigeria for the policy-makers to settle or importation of refined petroleum products from outside
Nigeria when the country has four good refineries that would have employed thousands of people if operational. The refineries should be rehabilitated without delay while the Federal Government should set up panels to investigate and punish those who ran the refineries aground. Furthermore, government should also budget much of its revenue to the development and growth of human resources and provision of social amenities in Nigeria. This will cushion the effects of any oil price increases.

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