Colonial Legacies and Institutional Barriers: Unveiling the Dynamics Sustaining Nigeria's Oil-Related Resource Curse

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Abstract

This study examines the paradox of resource abundance, exploring how Nigeria, Africa's largest oil producer, remains mired in poverty, inequality, and political instability despite its vast oil wealth. Investigating the resource curse through the central question—How do structural, institutional, and political barriers shaped by colonial governance and perpetuated by post-independence elites sustain Nigeria's oil-related resource curse?—the research uncovers how colonial legacies have fundamentally shaped the governance of resource wealth.

Grounded in internal colonialism, neo-institutionalism, and political theories of behavior and governance, the study reveals how extractive institutions and elite-driven decision-making perpetuate centralized control, economic dependency, and marginalization of resource-producing regions. Mechanisms such as rent-seeking, institutional inertia, and short-term political strategies obstruct reforms and entrench inequities, particularly in the Niger Delta.

Adopting a qualitative, single-case study approach, the research employs document analysis and deductive content analysis to trace the interplay between historical legacies and contemporary governance. The findings demonstrate that Nigeria's resource wealth has been systematically mismanaged, with oil revenues serving to entrench elite dominance while undermining inclusive development.

This study contributes to International Relations by offering a nuanced framework for understanding the resource curse, emphasizing how historical exploitation has evolved into contemporary governance challenges. By situating Nigeria's case within its unique colonial and institutional context, the research provides a critical lens on the enduring impacts of colonial legacies on resource management in post-colonial settings.

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Introduction

The "resource curse" paradox highlights how resource-rich countries, instead of achieving economic prosperity, often endure poverty, inequality, corruption, and political instability (Sachs & Warner, 1995). Research has extensively explored this phenomenon, emphasizing how resource abundance, particularly oil, can hinder sustainable development (Auty, 1993; Ross, 1999). Nigeria, Africa's largest oil producer, exemplifies this paradox. Despite contributing over 80% of government revenues, its oil wealth has failed to reduce poverty, with 40% of Nigerians living below the poverty line (World Bank, 2016). The delayed passage of the Petroleum Industry Bill (PIB) underscores the role of institutional inertia and elite resistance in obstructing reform (Transparency International, 2013).

This study investigates the central question: How do structural, institutional, and political barriers—shaped by colonial governance structures and perpetuated by post-independence elites—sustain the oil-related resource curse in Nigeria? By focusing on Nigeria, it seeks to understand how colonial legacies and institutional frameworks continue to hinder equitable and sustainable development.

The study builds on existing literature that links historical, institutional, and political factors to the resource curse. Mechanisms such as path dependence, extractive institutions, rent-seeking, and the adaptation of colonial systems of exclusion by post-independence elites are central to this analysis (Acemoglu & Robinson, 2012; North, 1990; Obi, 2010). While previous research has largely attributed Nigeria's challenges to contemporary governance failures, this study emphasizes the historical and institutional roots of these issues. It fills a critical gap by explicitly linking Nigeria's colonial legacy to the structural conditions sustaining the resource curse.

To address the research question, the study employs a multi-theoretical framework. Neo-institutionalism examines how institutions shape incentives and perpetuate power asymmetries, distinguishing between inclusive and extractive systems (March & Olsen, 1989; Acemoglu & Robinson, 2012). Colonialism provides a historical lens to analyze how colonial structures of extraction were adapted by Nigerian elites, consolidating centralized control and marginalizing resource-producing regions (Obi, 2010). Political theories of behavior and governance—including cognitive biases (Kahneman & Tversky, 1979), patronage networks (Putnam, 1993), and rentier state dynamics (Beblawi, 1987; Karl, 1997)—illuminate how short-term decision-making obstructs reform and reinforces inequities.

The methodological framework includes qualitative content analysis and a single-case study design, aligning with Robert Yin's (2009) argument that case studies are particularly effective for examining complex, deeply entrenched phenomena. Document analysis and deductive content analysis provide a systematic means of linking theoretical constructs to empirical evidence, enabling a detailed examination of how mechanisms like rent-seeking and institutional inertia manifest in Nigeria's political landscape (Bowen, 2009; Elo & Kyngäs, 2008).

This study emphasizes the interplay of historical legacies and contemporary governance dynamics in sustaining Nigeria's resource curse. By bridging theoretical insights with empirical observations, it offers a nuanced explanation of why resource wealth often fails to drive inclusive development. It highlights the systemic role of colonial governance, institutional quality, and political decisions in shaping developmental outcomes, contributing to broader theoretical debates on governance, inequality, and post-colonial development.

Background

Nigeria, located in West Africa, is the most populous country on the continent, with an estimated population of 211 million people (Ministry of Foreign Affairs, European Union and Cooperation, 2023). This population not only represents a vast labor force but also poses significant challenges in terms of human development and resource management. Cultural diversity is a central feature of Nigerian society, as it is home to more than 400 ethnic groups, with the Hausa, Fulani, and Yoruba being the most prominent (Vara, 2020). This ethnic diversity is partly a legacy of the colonial period, when the borders drawn by the British disregarded pre-existing cultural divisions, generating tensions that persist today.

The British colonization of Nigeria, initiated after the Berlin Conference of 1884-1885, was primarily motivated by commercial and political interests, with the aim of controlling trade in the region and limiting the influence of other European powers. During this period, the British implemented a “divide and rule” policy that fostered divisions between the different ethnic and religious groups, weakening the possibility of unified resistance against colonial rule. This strategy consolidated indirect administration in the north, where the traditional structures of the Sokoto Caliphate were maintained, while the south was more heavily influenced by European Christianity. These divisions laid the foundation for the deep social and political fractures that have characterized post-independence Nigeria (Rodríguez-Marín, 2020).

Nigeria gained independence from the United Kingdom in 1960, raising high expectations of economic development driven by its vast natural resources, particularly oil, discovered in 1956. However, the transition to a modern state has been marked by political instability and internal conflicts, such as the Biafran Civil War (1967-1970), which reflected regional and ethnic tensions over resource control. The discovery of oil transformed the Nigerian economy, making it one of the largest crude oil producers in Africa. Although oil accounts for between 45% and 65% of the country's fiscal revenues (World Bank, 2021a), its dependence has had a negative impact on other sectors, such as agriculture, which was the foundation of the economy before the oil boom. This phenomenon is an example of the so-called "resource curse," where the abundance of oil has not resulted in sustainable economic development or a significant improvement in social welfare.

The volatility of oil prices has exposed its economy to cycles of boom and bust, particularly during periods of declining crude prices. Between 1967 and 1981, Nigeria experienced significant economic growth driven by oil booms, but the subsequent collapse in crude exports in 1981 led to a deep economic recession (Rodríguez-Marín, 2020). Nigeria’s inability to translate its oil wealth into inclusive development has been largely attributed to the weakness of its institutions.

Institutional quality has been identified as a crucial factor in explaining why oil revenues have not led to sustainable growth. As Acemoglu and Robinson (2012) point out, extractive institutions, which concentrate power and benefits in the hands of a small elite, prevent economic growth in resource-rich countries. In Nigeria, weak institutions and endemic corruption have fostered the mismanagement of resources. Studies such as those by Obi (2010) and Watts (2004) have highlighted how corruption and the unequal exploitation of resources have limited the possibilities for sustainable economic development in Nigeria, directly affecting much of the population and contributing to persistent poverty and inequality.

Today, Nigeria continues to face significant challenges in terms of human development. Although its Human Development Index (HDI) has improved over the past few decades, it remains low, with a score of 0.548, classifying the country as having low human development (UNDP, 2024). Approximately 50% of the population lives in poverty, and a quarter lacks access to safe drinking water (Oxfam International, 2020). This situation reflects the Nigerian state's inability to provide basic services and ensure the economic inclusion of its population. The weakness of educational institutions is another fundamental issue, with nearly 10 million children out of school, limiting future development opportunities.

Many of Nigeria's current problems can be traced back to its colonial past. The British strategy of indirect administration fostered divisions between the Muslim north and the Christian south, which have led to ongoing political and social tensions. Although the Nigerian state nationalized part of the oil sector after independence, multinational oil companies continue to play a crucial role in the economy due to the country's limited refining capacity. This dependence on international markets for crude oil exports reflects an economic structure based on the extraction and export of raw materials, a pattern that originated during the colonial period and has perpetuated structural economic dependence (Vara, 2020).

In conclusion, the interplay between Nigeria's colonial legacy, its oil wealth, its current institutional challenges, and political decisions creates a complex and interdependent framework that sustains the 'resource curse' and exacerbates its profound impact on the country. The power structures inherited from colonial rule, later adapted by Nigeria's national elites, have perpetuated a system in which resources are mismanaged, and their benefits are unequally allocated, affecting both the country's economic development and its social cohesion.

Theory

This section establishes the theoretical foundation of the study by integrating multiple perspectives to analyze the persistence of underdevelopment in resource-rich nations like Nigeria. The research draws on internal colonialism, neo-institutionalism, and political theories of behavior and governance—cognitive, societal, and rentier state—to examine how historical legacies, institutional dynamics, and political decisions interact to sustain the resource curse. These theories collectively provide a multidimensional approach, linking historical governance structures, institutional weaknesses, and elite-driven political behaviors to contemporary challenges in resource governance.

At the core of this study is the resource curse, which serves as both a guiding conceptual framework and a central empirical focus. Conceptually, it offers a structured lens to examine how historical legacies—rooted in colonial governance—have shaped contemporary institutional dynamics, including extractive institutions and elite-driven governance. Empirically, it enables an in-depth investigation of how mechanisms such as rent-seeking, path dependence, and centralized resource control create the specific conditions that perpetuate underdevelopment, corruption, and inequality in Nigeria.

By bridging theoretical insights and empirical evidence, this dual role facilitates a nuanced analysis of Nigeria’s trajectory. The resource curse framework lays the foundation for exploring the systemic barriers that transform resource wealth into a persistent obstacle to equitable and sustainable development.

Why We Chose the Resource Curse

The resource curse framework is central to this study because it provides a comprehensive lens for examining the intersection of historical, institutional, and political factors that sustain underdevelopment and inequality in resource-rich nations like Nigeria. This framework integrates theoretical insights from internal colonialism, neo-institutionalism, and political theories of behavior and governance—cognitive, societal, and rentier state—offering a multidimensional perspective on Nigeria's governance challenges.

Internal colonialism highlights how colonial governance structures institutionalized patterns of extraction and exclusion that were later adapted by post-independence elites, fostering systemic inequalities (Falola & Heaton, 2008; Obi, 2010). Neo-institutionalism complements this by explaining how inherited institutions incentivize rent-seeking behaviors and resistance to reform, perpetuating structural weaknesses (Acemoglu & Robinson, 2012). Political theories of behavior and governance provide a political lens, showing how patronage networks (Putnam, 1993) and short-term political decisions influenced by cognitive biases (Kahneman & Tversky, 1979) reinforce institutional inertia, blocking pathways to sustainable development.

Empirically, the resource curse framework enables a detailed exploration of mechanisms like rent-seeking, path dependence, and centralized resource control—mechanisms deeply entrenched in Nigeria's colonial history and perpetuated by elite governance. For instance, oil revenues, instead of being invested in infrastructure or public services, have often been diverted to sustain patronage networks and block structural reforms. This dynamic exemplifies how extractive institutions like the Nigerian National Petroleum Corporation (NNPC) concentrate wealth and power among elites, exacerbating corruption and inequality (Watts, 2004; Obi, 2010).

By situating the resource curse within Nigeria's historical and institutional contexts, this study not only contributes to understanding the resource curse phenomenon but also provides a nuanced analysis of how and why resource wealth fails to drive equitable development. This dual focus—linking theory and practice—makes the framework indispensable for addressing the research question and exploring systemic barriers to progress in resource-rich contexts.

Mechanism combines with the theories to explain the Resource Curse

The resource curse in Nigeria arises from the interaction of path dependence, extractive institutions, rent-seeking behaviors, short-term political decisions, and the colonial institutional legacy. These mechanisms align directly with the theories of neo-institutionalism, internal colonialism, and the three political theories of behavior and governance—cognitive, societal, and rentier state theories. Together, they explain how historical, institutional, and political conditions create a self-perpetuating system of underdevelopment, exclusion, and inequality.

In this context, mechanisms refer to the causal processes or dynamics that explain how the conditions of the resource curse are activated and sustained, such as institutional inertia or rent-seeking practices (North, 1990). Institutions represent the formal structures, organizations, and norms that implement, sustain, or result from these mechanisms, such as the Nigerian National Petroleum Corporation (NNPC) (NEITI, 2020) or the colonial system of indirect rule (Mamdani, 1996). Lastly, policies are the specific legal instruments or government decisions that reinforce these mechanisms by institutionalizing extractive and exclusionary dynamics, as seen with the Land Use Act of 1978 (Aluko & Amidu, 2006) and the delayed approval of the Petroleum Industry Bill (PIB) (Transparency International, 2013).

Thus, institutions and policies act as operational mechanisms through which broader processes function, serving as tools that reinforce and perpetuate structural inequalities, exclusion, and underdevelopment (Acemoglu & Robinson, 2012; North, 1990). This framework provides a robust foundation for understanding how the combination of mechanisms and theories offers a comprehensive analysis of the root causes and perpetuating dynamics of the resource curse in Nigeria

Path Dependence and Theories of Neo-Institutionalism and Colonialism

Path dependence, a core concept of neo-institutionalism, explains how institutions and decisions made during the colonial period created inertia that restricts reform in the post-independence era. According to North (1990), institutional frameworks, once established, tend to persist because they shape the incentives for actors to maintain the status quo. During British colonization, policies such as the Minerals Ordinance of 1946 centralized control over Nigeria's mineral resources under colonial authorities. This policy marginalized local communities and ensured resource wealth flowed to the metropole, solidifying extractive systems of governance.

After independence, path dependence ensured these centralized structures remained intact. Nigerian elites adapted colonial frameworks to consolidate their power, as seen in the Land Use Act of 1978. This law replicated colonial practices by transferring control over all land to the federal government, excluding local communities—particularly resource-rich regions like the Niger Delta—from managing their resources. By perpetuating exclusion and regional inequality, this mechanism aligns with the theory of internal colonialism, which highlights how inherited systems of resource extraction and marginalization serve the interests of elites while disenfranchising local populations (Obi, 2010).

The persistence of these structures reinforces systemic barriers to reform. Decentralization of resource governance would challenge the power structures entrenched by these policies, making reform politically costly for elites who benefit from centralized control.

Extractive Institutions and Neo-Institutionalism

Neo-institutionalism, as articulated by Acemoglu and Robinson (2012), provides a lens to analyze how institutions are designed to concentrate power and resources among elites. Extractive institutions create strong incentives for rent-seeking behaviors, undermining inclusive economic and political development. In Nigeria, the Nigerian National Petroleum Corporation (NNPC) exemplifies this dynamic. Established in 1977 to manage oil revenues, the NNPC has become a mechanism for corruption and elite enrichment. Audits by the NEITI consistently reveal billions of dollars in unaccounted funds, underscoring how opacity in resource management allows extractive institutions to persist (NEITI, 2020).

Attempts to reform these institutions, such as the introduction of the Petroleum Industry Bill (PIB) in 2008, have repeatedly failed due to elite resistance. The PIB, aimed at increasing transparency, accountability, and equitable revenue distribution, threatens the patronage networks that sustain elite dominance. This resistance demonstrates how extractive institutions serve as mechanisms for rent-seeking and perpetuate inequality by blocking structural change.

Rent-Seeking and Political Theories of behavior and governance

Rent-seeking, a behavior where elites exploit resource wealth for personal gain rather than national development, interacts closely with political theories of behavior and governance—cognitive, societal, and rentier state.

Cognitive Theory explains how resource abundance fosters short-term thinking and political myopia. For instance, during the 1970s oil boom, the Nigerian government prioritized immediate political gains over long-term development. Revenues were funneled into poorly conceived projects, such as the Ajaokuta Steel Mill, which, despite significant investments, never became operational due to mismanagement and corruption (Sala-i-Martin & Subramanian, 2003). This short-termism blocked opportunities for economic diversification, leaving Nigeria heavily dependent on oil.

Societal Theory highlights how entrenched patronage networks ensure that resource rents sustain elite power. Patronage operates by distributing oil revenues to loyal allies through contracts, appointments, or financial benefits, diverting resources away from public welfare. This dynamic obstructs reform, as seen in the repeated delays of the Petroleum Industry Bill (PIB), a landmark legislative initiative aimed at restructuring Nigeria's oil and gas sector. Initially introduced in 2008, the bill faced over a decade of postponements due to entrenched opposition from powerful elites and interest groups who benefited from the existing opaque system. These vested interests resisted reforms that would increase transparency, improve accountability, and allocate greater benefits to oil-producing communities, fearing that such changes would weaken their control over resource wealth (Transparency International, 2013).

Rentier State Theory explains how a heavy reliance on oil wealth diminishes the state's accountability to its citizens. In Nigeria, where government revenues are predominantly derived from oil rents rather than domestic taxation, the relationship between the state and its population is fundamentally altered. Without the need to tax citizens directly, the government faces less pressure to respond to public demands or to prioritize inclusive policy making. Instead, Nigerian elites leverage the substantial inflow of oil revenues to sustain systems of patronage, rewarding loyal supporters through financial benefits, contracts, and political appointments. This dynamic not only consolidates their power but also undermines democratic accountability and perpetuates exclusionary governance structures (Beblawi & Luciani, 1987; Karl, 1997). As Ross (1999) highlights, such reliance on resource rents fosters a governance model where coercion and patronage replace public engagement and the pursuit of equitable development.

These interconnected mechanisms create a cycle where rent-seeking behaviors perpetuate corruption, inefficiency, and elite dominance, further undermining development.

Colonial Institutional Legacy and Colonialism

The colonial institutional legacy forms the foundation of Nigeria's contemporary resource curse, illustrating how institutions established during the colonial era were specifically designed to extract resources and marginalize local communities. British colonial policies prioritized resource exploitation while systematically excluding Nigerian stakeholders from economic and political participation. For example, the Royal Niger Company monopolized the trade of palm oil, marginalizing local merchants and embedding systems of economic dependency and inequality that persist to this day (Falola & Heaton, 2008).

These colonial institutions were not dismantled after independence but rather adapted by post-independence elites to maintain patterns of exclusion and concentrate power. This adaptation is evident in institutions like the Nigerian National Petroleum Corporation (NNPC), which replicates colonial centralization by consolidating resource revenues at the federal level while excluding resource-producing communities from meaningful decision-making. Such structures perpetuate the exclusionary frameworks established during the colonial era, aligning with the principles of internal colonialism, which explain how elites exploit these inherited systems to sustain control and suppress inclusive development.

The exclusionary legacy of colonial governance is particularly evident in the Niger Delta, where resource extraction occurs at the expense of local development. Environmental and social costs, such as oil spills and gas flaring, have devastated local livelihoods, exacerbating poverty and inequality. Reports by UNEP (2011) document widespread environmental degradation in the region, which fuels socio-economic grievances and cycles of conflict. The rise of militant groups like the Movement for the Emancipation of the Niger Delta (MEND) reflects this persistent marginalization, as local communities resort to protest and violence to demand a fairer distribution of resource wealth (Okonta & Douglas, 2001; ACLED, 2020).

By embedding systems of exclusion and dependency, the colonial institutional legacy continues to define Nigeria’s political, economic, and social landscape. Its influence, compounded by the adaptation of these systems by local elites, underscores how historical patterns of extraction have evolved into systemic barriers to equitable and sustainable development. This dynamic demonstrates the critical role of historical governance structures in shaping the resource curse and sustaining underdevelopment.

Mechanisms interact to create the specific conditions that activate the resource curse

The conditions of Nigeria's resource curse—centralized resource control, economic dependence on oil, corruption and rent-seeking, and the marginalization of resource-rich communities—are generated by the interaction of key mechanisms, institutions, and policies that reinforce exclusion and underdevelopment.

Centralized Resource Control is primarily driven by path dependence and extractive institutions, mechanisms that ensure the persistence of colonial-era centralization into contemporary governance. Policies like the Land Use Act of 1978 serve as tools to institutionalize this control by transferring all land ownership to the federal government, thereby excluding local communities from managing their resources (Aluko & Amidu, 2006). Similarly, institutions such as the Nigerian National Petroleum Corporation (NNPC) concentrate oil revenues under federal elites, perpetuating centralized governance structures that align with neo-institutionalism, which explains how institutions create incentives for elite dominance and block reform (Acemoglu & Robinson, 2012).

Economic Dependence on Oil results from short-term political decisions and rent-seeking behaviors that prioritize immediate political gains over sustainable development. During oil booms, political elites misallocate revenues into patronage networks or poorly managed projects rather than diversifying the economy. For example, the mismanagement of the Ajaokuta Steel Mill during the 1970s oil boom demonstrates how short-term thinking undermines long-term economic planning (Sala-i-Martin & Subramanian, 2003). This dynamic aligns with cognitive theory, which explains how resource abundance fosters short-termism, leaving Nigeria vulnerable to external shocks such as the 2015 oil price collapse that caused a severe economic contraction (World Bank, 2016).

Corruption and Rent-Seeking are sustained by extractive institutions and policies that facilitate elite exploitation of resource wealth. The NNPC functions as a mechanism for rent-seeking, as its lack of transparency enables elites to divert public wealth into private networks rather than public investment. Repeated delays in passing the Petroleum Industry Bill (PIB) highlight how entrenched patronage networks obstruct reforms aimed at increasing transparency and accountability (Transparency International, 2013). This reflects societal theory, which explains how patronage networks protect elite interests and resist changes that could transform extractive institutions into inclusive ones.

Marginalization of Resource-Rich Communities is rooted in internal colonialism, a mechanism that perpetuates colonial-era patterns of exclusion and inequality. The Niger Delta, despite producing over 80% of Nigeria’s oil revenues, remains impoverished and environmentally degraded due to policies and institutions that prioritize extraction over local development (Okonta & Douglas, 2001). The UNEP (2011) reports widespread environmental destruction caused by oil spills and gas flaring, exacerbating poverty and fueling grievances. This marginalization generates social unrest and violence, as exemplified by the rise of militant groups like the Movement for the Emancipation of the Niger Delta (MEND), which reflects the consequences of systemic exclusion and environmental neglect (ACLED, 2020).

In summary, these conditions arise from mechanisms like path dependence, extractive institutions, and rent-seeking behaviors, which operate through institutions such as the NNPC and policies like the Land Use Act and the delayed PIB. Together, they perpetuate centralized control, economic vulnerability, corruption, and the marginalization of resource-rich regions, creating a system that sustains Nigeria's resource curse.

Neoinstitutionalism

Neo-institutionalist literature has extensively demonstrated how institutions shape the incentives and constraints that influence the management of natural resources and economic development. Foundational works such as those by Auty (1993) and Sachs and Warner (1995) emphasize that resource abundance, in the absence of inclusive institutions, leads to outcomes such as corruption, power concentration, and unequal growth. This approach conceptualizes institutions as formal structures, organizations, and norms that define acceptable behavior and guide decision-making processes (Hernández, 2008). These rules create incentive structures that often align with the interests of those in power, reinforcing existing dynamics and favoring the stability of the status quo over transformative change.

Furthermore, neo-institutionalism examines how institutions persist over time due to path dependence, where initial choices constrain future possibilities and make institutional change costly and unlikely. This persistence is reinforced by elites who adapt institutions to consolidate their power, creating mechanisms that obstruct redistributive reforms and maintain extractive dynamics. Expanding on this, Peters (1999) emphasizes that institutions are not passive structures but active agents that configure and condition the behavior of individuals and groups within political and economic systems. They not only establish rules but also act as normative and incentive frameworks that determine which behaviors are acceptable, expected, or possible, thereby influencing power dynamics and societal outcomes

A central aspect of this theory is the role of institutions in providing incentives and constraints. Peters argues that institutions offer rewards and sanctions that actors evaluate rationally when making decisions. This framework encourages behaviors that maximize benefits and minimize risks within the boundaries established by institutional rules (Ibid, 1999).

Another relevant aspect of neo-institutionalism is how institutions determine not only what is possible but also what is likely. Peters emphasizes that institutions do not directly dictate behavior but condition it by establishing a "menu of options" that actors consider based on associated costs and benefits. For example, in Scandinavian countries, progressive tax systems and strict penalties reduce tax evasion, while in Caribbean nations, weak oversight incentivizes such practices (Christensen et al., 2019).

Additionally, Peters highlights the dual role of institutions in promoting both stability and change. On one hand, institutions provide a clear framework of rules that generates predictability and facilitates coordination among actors. However, this stability can also solidify pre existing inequalities if the rules favor certain groups over others. For instance, the caste system in India, although officially abolished, has been perpetuated in part through informal norms and social institutions that continue to reinforce inequalities in access to education and employment (Deshpande, 2011). On the other hand, institutions can undergo changes when existing rules no longer benefit key actors or when significant external pressures arise. One example is

Eastern Europe after the fall of the Soviet bloc in 1991, where local elites, incentivized by global economic integration and pressured by organizations like the IMF and the EU, reformed centralized systems toward market economies, as seen in Poland and the Czech Republic (North, 1990; Williamson, 1993). This process demonstrates how institutions can adapt to internal incentives and external pressures, even if they initially face resistance.

Hernández (2008) offers a perspective on neo-institutionalism that complements and expands upon the views of authors like Peters (1999), focusing on how institutions are designed and used to consolidate existing power relations and how these relationships shape dynamics of exclusion and control. Unlike Peters, who emphasizes the functionality of institutions as structures that generate stability and predictability in political and economic systems, Hernández highlights their historical and strategic nature, underscoring how these structures are shaped by power groups to guarantee their dominance and maintain the status quo.

Peters analyzes the stabilization of institutions as a mechanism for generating predictability, while Hernández goes a step further, arguing that this stabilization is not neutral, as institutions are deeply influenced by historical contexts and the interests of the actors who design them. This perspective enables an understanding that institutions not only regulate behavior through incentives and constraints but also structure who has access to power and resources. For instance, in the history of the United States, the implementation of segregation laws during the Jim Crow era not only regulated the daily lives of African American citizens but also consolidated a power structure that benefited white populations by restricting minorities' access to education, property, and employment (Woodward, 1955). These laws were explicitly designed to perpetuate a system of exclusion reflecting the interests of dominant groups, highlighting how institutions can serve as tools to sustain historical inequalities.

Peters emphasizes that institutions can change when incentives no longer benefit key actors, noting the impact of internal and external pressures. Hernández, in contrast, stresses the concept of path dependence, which explains how institutions tend to reproduce existing power dynamics due to historical inertia and the high costs associated with change. This helps explain why certain institutional practices persist even when they are no longer functional or just. For example, in Latin America, property laws dating back to colonial times favored land concentration in the hands of elites, excluding Indigenous and peasant communities, thereby entrenching economic and social inequalities (Albertus, 2015). A contrasting example is Japan after World War II, where agrarian reforms, implemented by U.S. occupation authorities, redistributed land from large landlords to tenant farmers through affordable credit. These reforms transformed rural structures, promoting greater equity and reducing economic dependence (Dore, 1959).

The success of these reforms was largely due to political will and the rigorous implementation of new institutions that promoted more equitable access to resources. This enabled small farmers to gain greater control over their production, reducing economic inequality and fostering more inclusive growth in the agricultural sector. Unlike the Latin American case, institutions in Japan were designed to overcome legal barriers and informal practices that might have blocked redistribution, illustrating how effective institutional design can challenge preexisting power dynamics (Dore,1959).

In line with this idea, Arrow (1963) argues that institutions, by offering a predictable and beneficial environment, generate incentives for actors to maintain existing rules, as these provide stability and tangible advantages. This reinforces a preference for the status quo, given that changing the system would involve significant uncertainty and risks. Thus, the interaction between institutional predictability and path dependence explains why certain institutional practices persist even when they have ceased to be functional or just, consolidating power dynamics that benefit privileged actors. Becker (1976), for his part, extends this perspective by analyzing how actors, being rational, make decisions based on the incentives offered by institutions to maximize benefits and minimize costs. While Arrow highlights the value of institutional predictability, Becker emphasizes the role of incentives in decision-making, explaining why elites find it more profitable to preserve existing structures than to promote reforms that could threaten their privileged position. This combination helps explain how institutions not only consolidate existing power dynamics but also shape actors' behavior by balancing predictability and rationality, perpetuating a system that favors dominant groups. In this way, both perspectives converge to explain resistance to institutional change and the persistence of structural inequalities.

In line with DiMaggio and Powell’s influential work from 1983, The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields, organizations tend to follow pre-existing norms that facilitate the concentration of power and resources, reinforcing a structure where profits accumulate in the hands of a few. In their research they develop the concept of institutional isomorphism. This term refers to the process by which organizations within the same environment or organizational field tend to become similar over time. According to the authors, this similarity is not primarily driven by a pursuit of efficiency but rather by the pressure to adhere to norms and regulations set by powerful external actors, such as the government or regulatory bodies. Organizations conform to these standards to attain legitimacy and social acceptance.

However, this adaptation to regulations does not necessarily translate into profound changes. Elites who benefit from these dynamics often resist any change that threatens their control, using their power to influence regulations and limit transparency. Furthermore, these elites establish alliances with international actors, such as multinationals, ensuring the continued exploitation of resources without challenge. This resistance and co-optation create an “apparent stability,” based on the perception that extractive practices are essential to maintaining income and social order (Hernández, 2008).

Institutional isomorphism explains why these reforms, rather than truly transforming the underlying economic structure, ultimately adapt to pre-established interests, thereby reinforcing the status quo.

In conclusion, neo-institutionalism, a theory that integrates historical, sociological, and rational choice perspectives, analyzes the role of institutions as active actors shaping behavior within political and economic systems. According to authors such as Peters (1999) and Hernández (2008), institutions not only establish rules but also generate incentives and constraints that influence actors' decisions, consolidating power dynamics through mechanisms like path dependence and informal norms. Additionally, authors like Arrow (1963) and Becker (1976) emphasize how institutional predictability and incentives favor the preservation of the status quo, while DiMaggio and Powell's (1983) institutional isomorphism explains how organizations homogenize under external pressures, reinforcing structures that benefit certain elites. This theoretical framework helps to understand how institutions perpetuate systems that prioritize the interests of dominant groups over equity and inclusive development.

Relation between Neo-Institutionalism and the "Resource Curse

Neo-institutionalism offers a fundamental lens for analyzing the resource curse by emphasizing how institutions shape the incentives and constraints that govern the behavior of economic and political actors. This perspective posits that institutional quality plays a critical role in determining whether natural resource revenues contribute to sustainable development or exacerbate underdevelopment. In contexts dominated by extractive institutions, elites often leverage resource revenues to consolidate their power, blocking reforms that could enable equitable redistribution of benefits and inclusive governance (Hernández, 2008; Peters, 1999).

Institutions designed to favor elite control over resources perpetuate structural dependency on a single economic sector, such as oil, in many resource-rich nations. This dependency discourages economic diversification and creates systemic incentives for corruption and inefficient revenue allocation, amplifying the adverse effects of the resource curse (Becker, 1976; Arrow, 1963). The path dependence inherent in these institutional arrangements further entrenches inequalities, as historical governance structures influence the persistence of exclusionary practices and institutional inefficiencies.

By examining the norms and incentives embedded within institutional frameworks, neo-institutionalism provides a robust foundation for understanding how structural dynamics sustain underdevelopment in resource-rich contexts. This theoretical approach is particularly valuable for exploring the mechanisms through which institutional inertia and elite interests obstruct pathways to equitable and sustainable development

Colonialism

The term "internal colonialism" was first employed by C. Wright Mills in 1963 (Mills, 1963, p. 154), but it was González Casanova who introduced the concept into Latin American social sciences during the 1960s and developed it into a robust analytical framework (Hind, 1984, p. 548; Torres, 2014). For González Casanova, internal colonialism represented not only the economic and political domination observed in external colonial systems—where foreign powers directly controlled territories—but also the cultural hierarchies and systemic exploitation that persisted within newly independent states after decolonization.

In the 1960s, external colonialism was typically understood as referring to territories under the administrative control of a foreign power, where governance was conducted by officials appointed by the colonizing state, and local inhabitants were denied political representation. This dynamic established rigid economic, political, and cultural hierarchies, subordinating colonized populations through conquest and extraction of resources (Mamdani, 1996). González Casanova (1963, p. 18) argued that the inequalities between the colonizing metropolis and the colony—whether racial, religious, or class-based—did not dissolve with independence. Instead, these inequalities were internalized within newly independent states, where they became perpetuated through domestic power structures dominated by national elites. Internal colonialism, therefore, represents the continuation of these systemic inequalities in a domestic context, transferring domination from foreign powers to local elites who exploit marginalized populations, particularly indigenous and rural groups, in similar ways.

The cultural dimensions of both external and internal colonialism played foundational roles in maintaining these dynamics. Memmi (1965) emphasized that colonialism relied not only on economic and political domination but also on cultural subjugation. By imposing the colonizer’s norms, practices, and values, colonial systems systematically delegitimize the cultures of the colonized, portraying them as inferior and incapable of self-governance. González Casanova incorporated this perspective into his analysis of internal colonialism, highlighting how cultural hierarchies persisted within postcolonial states. For him, the transition from external colonialism to internal colonialism marked an adaptation of these hierarchies, where national elites—often themselves shaped by colonial education and ideologies—perpetuated cultural dominance alongside economic exploitation.

The adaptability of internal colonialism as a theoretical framework is evident in its application across diverse geopolitical contexts beyond Latin America. Jack Hicks (2004) underscores its relevance in countries such as Israel, Thailand, and Pakistan, and in regions like South Africa and the United States. While its manifestations vary, the concept consistently reveals how centralized power structures marginalize rural, ethnic, or indigenous groups, creating systems of economic and cultural domination (Drakakis-Smith & Wyn, 1983).

In Latin American debates, the concept of internal colonialism was closely tied to discussions of marginality and dual societies. Marginality initially referred to populations excluded from economic or urban development, particularly indigenous or rural communities. Over time, the concept expanded to include political exclusion and the lack of integration into national institutions, further characterizing indigenous populations as socially, politically, and economically peripheral. Dual society, by contrast, highlighted systemic disparities within states, where modern urban centers thrived at the expense of rural regions. González Casanova initially framed dual societies as separate entities within a single state. However, critiques by Stavenhagen (1963) and Gunder Frank (1967) revealed that these disparities were relational outcomes of a unified capitalist system, perpetuating uneven development and systemic inequality.

By the late 1960s, González Casanova reoriented his analysis, emphasizing economic and structural exploitation over cultural dichotomies. Internal colonialism, as he theorized, was not merely a cultural or spatial phenomenon but a multidimensional structure of domination that operated through economic dependency, labor exploitation, land dispossession, and systemic exclusion. He introduced a nuanced framework that included the interplay of proprietor-worker dynamics, cultural discrimination, and political exclusion, demonstrating how these mechanisms collectively reinforced inequality (González Casanova, 1978, p. 106). Unlike Stavenhagen or Gunder Frank, who primarily approached internal colonialism as a class-based struggle, González Casanova emphasized its intersectionality—how cultural, political, and economic subordination intersect and amplify exploitation (González Casanova, 1969).

The relationship between internal colonialism and dependency theory provides a deeper contextual understanding of these dynamics. Dependency theorists such as Gunder Frank (1967) argued that underdevelopment stemmed from integration into a global capitalist system that relegated peripheral nations to subordinate roles.

González Casanova extended this critique domestically, observing that structural inequalities from colonial domination were reproduced within independent states. These inequalities—manifested as racial hierarchies, caste systems, and rural-urban divides—were maintained through mechanisms of economic dependency, cultural hegemony, and political exclusion.

For González Casanova, the limitations of traditional colonialism as a concept lay in its narrow focus on external control, failing to account for the persistence of domination through neocolonial systems that employed economic monopolies and cultural control. He argued that former colonies, and later internally colonized regions, functioned as complementary economies integrated into the metropole through exploitative relationships that monopolized natural resources, labor, and fiscal revenues (González Casanova, 1963, p. 19; González Casanova, 1969). These systems not only ensured economic dependency but also created ideal conditions for labor exploitation and resource extraction, supported by repressive political and administrative mechanisms.

By the 1970s, González Casanova refined his definition of internal colonialism as a "structure of social relations of domination and exploitation between heterogeneous, distinct cultural groups," emphasizing the civilizational differences rooted in conquest (González Casanova, 1969). This expanded framework underscores how cultural and civilizational hierarchies exacerbate systemic exploitation. Internal colonialism provides a comprehensive theoretical lens for understanding how domination operates across cultural, economic, and political domains, revealing its relevance for analyzing systemic inequalities and resource dependencies in postcolonial contexts.

Colonial Externalism and Internal Colonialism in Relation to the Resource Curse

Colonial externalism and internal colonialism provide essential theoretical frameworks for analyzing the persistence of the resource curse in resource-rich nations such as Nigeria. These interrelated systems of domination and exploitation help explain how historical legacies of colonial governance and post-independence institutional structures have perpetuated patterns of inequality, economic dependency, and underdevelopment. The concept of colonial externalism, as articulated by Mamdani (1996), refers to the administrative and economic control exercised by foreign powers over colonized territories. This system created bifurcated state structures that centralized authority and excluded indigenous populations from meaningful participation in governance. In Nigeria, British colonial rule exemplified this through centralized institutions designed to extract resources for the benefit of the metropole.

The Royal Niger Company, established during the colonial period, epitomized the extractive logic of colonial externalism. The company monopolized trade, controlled access to natural resources, and facilitated the export of wealth to Britain while denying local communities any significant role in economic decision-making (Falola & Heaton, 2008). Such policies entrenched a reliance on resource exports and actively discouraged economic diversification, creating the structural vulnerabilities that characterize the resource curse (Acemoglu & Robinson, 2012). By designing an economy centered on raw material extraction, colonial externalism not only exploited Nigeria's natural wealth but also established the foundations for long-term dependency on volatile commodity markets.

A defining feature of colonial external governance was the strategic use of "divide and rule" tactics to maintain control over the colonized population. This strategy deliberately fostered divisions along ethnic, regional, and social lines, ensuring that local communities remained fragmented and incapable of unified resistance against colonial powers (Mamdani, 1996). These divisions had profound long-term consequences, creating societal fractures that persisted into the post-colonial era. In Nigeria, for instance, the legacy of these divisions has complicated governance and resource management, fostering mistrust and competition among different ethnic and regional groups (Rodney, 1972). The enduring impact of this fragmentation is evident in the governance challenges faced by modern Nigeria, where resource wealth continues to generate conflict and socio-political exclusion instead of fostering inclusive development (González Casanova, 1965).

Transition to Internal Colonialism

After Nigeria gained independence, the mechanisms of internal colonialism emerged as a continuation of the extractive and exclusionary practices established during the colonial period. González Casanova (1965) defines internal colonialism as a structure of domination and exploitation within a nation-state, where resource-producing regions are subordinated to centralized authority controlled by domestic elites. This dynamic represents a shift from foreign to domestic domination, as national elites inherited and adapted the centralized structures of colonial governance to serve their own interests.

In Nigeria, internal colonialism is most evident in the control and management of oil revenues, particularly by the Nigerian National Petroleum Corporation (NNPC).

This institution has centralized the wealth generated from the Niger Delta's oil production while excluding local communities from equitable economic benefits (Obi, 2010). The monopolization of oil revenues reflects a broader pattern of internal colonialism, where resource-rich peripheries are exploited to sustain the wealth and power of elites based in urban centers. This dynamic mirrors the logic of colonial externalism, where the extraction of wealth prioritized the needs of the metropole over those of the colonized population (González Casanova, 1978).

Internal colonialism also manifests through systemic inequalities, including land dispossession, environmental degradation, and political exclusion. Resource-producing regions such as the Niger Delta bear the dual burden of ecological destruction and socio-economic neglect. The United Nations Environment Programme (UNEP) (2011) documented extensive environmental damage in the Niger Delta caused by oil production, including widespread pollution and habitat destruction. These environmental impacts are compounded by the lack of meaningful investment in local development, exacerbating poverty and fueling socio-political grievances. The exclusion of resource-producing regions from decision-making processes further deepens these inequalities, reinforcing the marginalization of communities that are most affected by resource extraction.

Continuity Between Colonial Externalism and Internal Colonialism

The continuity between colonial externalism and internal colonialism highlights a systemic pattern of exploitation that extends across historical periods. Both systems rely on centralized power structures, extractive economies, and exclusionary governance to maintain control over resource-rich regions. While colonial externalism involved the domination of territories by foreign powers, internal colonialism adapted these practices to serve domestic elites. González Casanova (1978) emphasizes that internal colonialism is not merely an economic phenomenon but a multidimensional system of domination that combines economic exploitation, cultural discrimination, and political exclusion.

One of the key mechanisms through which both colonial externalism and internal colonialism sustain the resource curse is their emphasis on resource dependency. Under colonial governance, economies were deliberately designed to integrate into global markets as providers of raw materials. This dependency on commodity exports created structural vulnerabilities, as resource-rich economies became highly susceptible to fluctuations in global prices (Rodney, 1972). After independence, internal colonialism perpetuated this dependency by channeling resource revenues into patronage networks that prioritized elite consolidation over national development (Beblawi, 1987; Karl, 1997). This dynamic is consistent with the characteristics of rentier states, where the abundance of resource rents reduces incentives to diversify the economy, leaving nations vulnerable to external shocks (Karl, 1997).

The interplay between colonial externalism and internal colonialism underscores a continuum of exploitation that has perpetuated the systemic inequalities associated with the resource curse. From the extractive policies of British colonial rule to the exclusionary practices of post-independence elites, the structural conditions that prioritize resource extraction over inclusive development remain deeply embedded in Nigeria's institutional framework. By examining these interrelated systems, it becomes clear that the resource curse is not merely an economic phenomenon but a product of historical and institutional factors that sustain patterns of domination, dependency, and inequality.

Political Theories of Behavior and Governance

This section delves into the political theories of behavior and governance that provide a nuanced understanding of how decisions, networks, and systemic structures influence governance in resource-rich states. By integrating cognitive theory, societal theory, and rentier state theory, the analysis captures the psychological, social, and structural dimensions of political behavior. These theories collectively elucidate how individual biases, elite networks, and resource-dependent economies interact to sustain governance patterns that prioritize elite interests over inclusive development.

The cognitive theory, grounded in studies on the psychology of decision-making, focuses on how cognitive biases and human limitations influence policy formulation, particularly in contexts of natural resource abundance. Initially developed by Kahneman and Tversky (1979) in their Prospect Theory, this approach challenges the assumption of absolute rationality by highlighting that human decisions are shaped by subjective perceptions and heuristics that simplify complex problems. One of their most influential concepts, loss aversion, explains that individuals and political leaders disproportionately value losses over equivalent gains, leading them to avoid decisions perceived as risky, even when such decisions could yield significant long-term benefits (Kahneman & Tversky, 1979).

This phenomenon is closely related to hyperbolic discounting, which describes the tendency to prioritize immediate benefits over future rewards, regardless of their relative magnitude (Frederick, Loewenstein, & O’Donoghue, 2002). In political contexts, this bias drives policymakers to favor visible, quick-impact measures—such as large-scale infrastructure projects—over less tangible strategies like economic diversification or structural reforms. These decisions often reflect an inherent political short-sightedness, where short-term incentives, such as consolidating power or maintaining popular support, outweigh sustainable development goals (North, 1990; Karl, 1997).

Moreover, aversion to structural change reinforces this dynamic. Leaders often resist reforms perceived as disruptive due to the immediate costs and uncertainties they entail, even when these changes could improve long-term outcomes (Tversky & Kahneman, 1981). This resistance stems from a preference for familiar systems, which, despite their inefficiencies, offer a perception of control and predictability (Samuelson & Zeckhauser, 1988). In resource-dependent economies, this behavior leads to policy stagnation, as existing governance frameworks are perpetuated rather than reformed to address structural weaknesses (Karl, 1997).

Cognitive overload, another critical concept within this theory, emphasizes how actors simplify decision-making processes in highly complex or uncertain situations by relying on heuristics (Simon, 1955). While heuristics can facilitate quicker judgments, they also introduce systematic errors that reinforce behavioral patterns detrimental to effective governance. In crisis situations, the pressure to act rapidly often exacerbates these tendencies, solidifying decision-making biases (Tversky & Kahneman, 1974).

Similarly, confirmation bias influences policy makers by leading them to seek and process information that aligns with their existing beliefs while dismissing contradictory evidence (Nickerson, 1998). This bias often hinders innovation by reinforcing the status quo, especially in centralized political systems or environments dominated by entrenched interest groups. As a result, reforms that challenge existing power structures are frequently rejected, perpetuating inefficiencies and inequality (Beblawi & Luciani, 1987).

Finally, cognitive theory addresses the concept of psychological inertia, which highlights the inherent difficulty of breaking established behavioral patterns, even when such patterns are demonstrably harmful (Kahneman, 2011). This inertia reflects not only an unwillingness to change but also a structural limitation in envisioning alternatives within existing institutional frameworks. In collective decision-making contexts, such inertia often leads to cycles of ineffective policies, further entrenching dynamics of exclusion and dependency (Acemoglu & Robinson, 2012).

Societal theory examines how informal social dynamics, such as patronage and clientelism, shape power structures and constrain the state's ability to implement significant institutional reforms. This approach is rooted in the analysis of social relationships, emphasizing the central role of social capital, which Putnam (1993) defines as the set of networks, norms, and trust-based relationships that facilitate cooperation among members of a society. Social capital is essential for the effective functioning of institutions, fostering interactions grounded in reciprocity and mutual trust, which are fundamental to inclusive and transparent governance (Putnam, 1993). However, when social capital becomes fragmented, trust networks tend to be confined to closed groups, such as political elites, clans, or specific communities. This reinforces exclusionary dynamics and undermines the broader cooperation needed to build institutions oriented toward the common good (Putnam, 1993; North, 1990).

In this context, clientelist networks and patronage function as mechanisms for the unequal redistribution of resources. Elites selectively allocate resources to reward the loyalty of their followers, consolidating social hierarchies and relationships of dependency (Karl, 1997). These practices not only perpetuate existing inequalities but also transform formal institutions into tools subservient to particular interests. Rather than acting as impartial mechanisms designed to implement inclusive policies, these institutions become instruments that reinforce asymmetric power relations and elite privileges (North, 1990). This significantly diminishes their capacity to serve as guarantors of collective welfare.

The interaction between informal social dynamics and the state's formal structures creates a synergy that perpetuates exclusion and inequality. Although formal institutions may be designed to implement equitable policies, their actual operation is mediated by clientelist networks that undermine these objectives (Putnam, 1993; Karl, 1997). This phenomenon generates a disconnect between public institutions and society at large, obstructing the implementation of structural reforms necessary to build more inclusive and representative systems.

A crucial aspect of this theory is the structural resistance to change. Actors who benefit from clientelist dynamics have clear incentives to preserve the status quo, as any transformation that democratizes access to resources could threaten their privileges (North, 1990; Karl, 1997). This structural resistance perpetuates an exclusionary governance system, where elites block any institutional reform initiatives that might redistribute power or resources more equitably. According to North (1990), formal and informal institutions interact to reinforce these dynamics, while Karl (1997) argues that this interaction impedes the transition toward more inclusive governance models.

In this way, societal theory explains how informal social dynamics, such as clientelism and patronage, generate interactions with formal institutions that reinforce existing patterns of exclusion and inequality. This approach emphasizes how these social networks can influence the configuration of state structures, limiting their capacity to evolve towards more inclusive and representative institutional models.

The rentier state theory, articulated primarily by Beblawi (1987) and Karl (1997), examines the profound economic and political implications that arise from state reliance on rents derived from natural resources. In this theoretical framework, rentier states are defined as those whose economies depend predominantly on external revenues, such as oil exports, rather than on a diversified internal tax base. This structural dependence transforms governance dynamics by reducing the need to collect taxes from the population. The absence of a broad fiscal system eliminates the incentive for governments to be accountable to their citizens, thereby weakening the state-society relationship (Beblawi, 1987). As a result, the state does not act as a representative of collective interests but rather as a distributor of concentrated rents, largely controlled by political and economic elites.

The centralization of rents in the hands of the government fosters a concentration of power that facilitates corruption and reinforces competition among elites for control over these revenues. Karl (1997) emphasizes that this type of dynamic not only perpetuates clientelist networks and patronage systems but also creates a political environment where elites have strong incentives to maintain exclusionary structures. Instead of using rents to promote economic diversification or strengthen democratic institutions, these revenues are employed to consolidate power hierarchies and satisfy particularistic interests. This situation creates a vicious cycle in which rentier elites actively block structural reforms that could redistribute power or resources, as any change threatens their privileged position.

Dependence on external rents also disincentivizes economic diversification, as the easy income derived from natural resources reduces pressure to develop other economic sectors. This exacerbates the state’s vulnerability to fluctuations in international resource prices, which Karl (1997) describes as an economic trap that undermines financial resilience and perpetuates cycles of instability. As revenues decline during periods of low prices, the state's capacity to provide basic services and maintain political stability is severely compromised, exacerbating existing structural inequalities.

From a political perspective, rentier state theory also argues that this dependence erodes the democratic capacity of the state. Beblawi (1987) contends that the absence of an internal fiscal base diminishes citizens’ pressure for representation and inclusive governance, as citizens, who do not significantly contribute through taxes, have less power to demand transparency or accountability. Karl (1997) expands on this idea by highlighting the "paradox of plenty," wherein resources that could promote sustainable development instead become a catalyst for authoritarian systems. These authoritarian structures prioritize the strategic distribution of rents to consolidate political control, deliberately excluding large segments of society from the benefits of development.

In conclusion, the rentier state theory, articulated by Beblawi (1987) and Karl (1997), examines how reliance on external rents, such as oil revenues, transforms governance by reducing the need for taxation, weakening state accountability to citizens. This centralization of rents fosters corruption, reinforces patronage systems, and disincentivizes economic diversification, making states vulnerable to resource price fluctuations. Politically, it erodes democratic structures, enabling elites to consolidate power through rent distribution while excluding large segments of society from developmental benefits.

Methodology

Research design

This project employs a single case study approach (Yin, 2009) to investigate how the quality of institutions and political decisions, shaped by historical governance structures, perpetuate the natural resource curse in Nigeria, with a specific focus on oil and its impact on economic development. A single case study approach offers depth by enabling a concentrated focus on the complexities, nuances, and specific internal dynamics of a particular context. This level of detail is difficult to achieve in a multiple case study, where the scope is broader, and the analysis often prioritizes cross-case comparisons over in-depth exploration of a single instance (Yin, 2009).

By focusing solely on Nigeria, the single case study approach avoids the dispersion of analytical attention. It ensures that critical elements such as historical documents, governance structures, and institutional behavior are examined in detail, revealing the underlying mechanisms that might be obscured in a comparative framework. This concentrated attention allows for a nuanced understanding of the interplay of historical governance structures, political decisions, and institutional quality in sustaining the resource curse in Nigeria. It provides insights that would be diluted in a multiple-case study, where the focus often shifts to drawing broader comparisons at the expense of examining specific contextual dynamics in depth (Stake, 1995)

As is characteristic of case studies, the selected subject is conceived as a bounded entity (Creswell & Poth, 2018, pp. 96-103), in this case, a political and economic process unfolding over time, spanning from the time England colonized Nigeria in 1885 to the present day.

Nigeria, with its abundant oil resources, is a clear example of how the resource curse affects resource-rich nations with weak institutions. This phenomenon has been the subject of numerous studies, but the perspective adopted in this project, which focuses on the interaction between past governance structures and the current institutional quality, offers an original contribution to the academic debate.

This study aligns with what Stake (1995) refers to as an intrinsic case, as Nigeria presents particular interest due to its complex political history and economic dependence on oil, making it a paradigmatic example of the resource curse. This means that Nigeria serves as a clear and representative case illustrating the typical characteristics and dynamics of the resource curse. It is a case study that can be used to understand how this phenomenon operates in similar contexts.

The case study approach has been widely used in the past to examine the effects of natural resources on national economies. For example, Ross (2004) used a qualitative case study to explore how oil dependence affected political stability and economic development in various Middle Eastern countries. In the African context, Throp, R. et al. (n.d.) investigated how dependence on extractive industries formed weak institutions. Similarly, Martos, B. (2018) examined how armed conflicts in the Niger Delta are directly related to oil exploitation and poor governance in the region.

This project provides a comprehensive analysis of how historical governance structures, institutional quality, and political dynamics—framed through political theories of behavior and governance—interact to perpetuate the resource curse in Nigeria. By focusing on oil as a paradigmatic case, the study bridges historical legacies with contemporary institutional challenges, offering an original perspective on the systemic barriers to equitable and sustainable development.

Choice of Theory

The choice of internal colonialism, neo-institutionalism, and political theories of behavior and governance—cognitive, societal, and rentier state—as theoretical frameworks to address the research question is based on their capacity to offer a deep and complementary understanding of the dynamics that affect economic development in contexts of natural resource abundance, such as Nigeria. These theories provide robust frameworks for analyzing both the historical and contemporary dimensions of the issue, allowing for a nuanced and comprehensive view of the underlying factors that perpetuate the resource curse.

At the same time, the resource curse framework serves as both a guiding conceptual structure and an empirical focus, bridging the selected theories to explore how historical legacies, institutional weaknesses, and political decisions sustain underdevelopment in resource-rich nations. By situating the resource curse as a central analytical lens, the study integrates internal colonialism's focus on historical exploitation, neoinstitutionalism emphasis on institutional dynamics, and insights into political behavior to examine the interplay of mechanisms such as extractive institutions, path dependence, and rent-seeking. This dual role of the resource curse framework ensures that the analysis remains cohesive, linking theoretical perspectives to empirical observations while addressing the complexities of Nigeria's unique context.

Internal colonialism provides a crucial theoretical framework for understanding how the power structures inherited from the colonial period continue to influence the management and distribution of resources in countries like Nigeria. Unlike external colonialism, which describes direct exploitation by colonial powers, internal colonialism refers to the perpetuation of exploitation and domination dynamics within a nation-state, often by national elites who assume control after independence. In Nigeria, these elites, in many cases trained or supported during the colonial period, have maintained and reinforced power structures that favor the concentration of oil wealth in the hands of a few, marginalizing the majority of the population (Obi, 2010). This is key to explaining why oil revenues have not translated into more inclusive development and why socioeconomic inequalities persist in the country.

The choice of internal colonialism over external colonialism responds to the specificity of the Nigerian postcolonial context. After gaining independence in 1960, Nigeria was marked by the rise of national elites who, instead of dismantling oppressive colonial structures, adapted them to perpetuate their own control and benefit. Therefore, the exploitation and exclusion faced by the populations of the Niger Delta, where the main oil reserves are located, no longer come from a foreign colonial power but from internal actors who monopolize resources and political institutions to the detriment of general welfare. According to Watts (2004), this phenomenon has fostered an "internal colonialism" in Nigeria, where the dynamics of exploitation mirror those of the colonial era but are now under the control of national elites.

On the other hand, neo-institutionalism is particularly suitable for this study as it provides a comprehensive framework to analyze how institutions influence behavior and perpetuate systemic inequalities in resource governance. By conceptualizing institutions as structures that create incentives and constraints, neo-institutionalism reveals how formal and informal rules shape political and economic outcomes

(Peters, 1999). This approach is critical for understanding Nigeria’s resource curse, as it explains the persistence of extractive institutions and the mechanisms by which they obstruct reform (Acemoglu & Robinson, 2012). Path dependence, a key concept within this theory, highlights how entrenched institutional frameworks constrain future choices, locking nations into patterns of inequality and underdevelopment (North, 1990). Furthermore, neo-institutionalism underscores the active role of institutions in reinforcing power dynamics, making it a valuable lens for examining the interplay between historical legacies and contemporary governance in resource-dependent economies (Hernández, 2008).

The inclusion of political theories of behavior and governance—cognitive, societal, and rentier state—as part of the theoretical framework is based on their ability to provide a nuanced understanding of the political decisions and behaviors that perpetuate the resource curse in Nigeria. These theories complement the historical and institutional focus of internal colonialism and neo-institutionalism by addressing the specific mechanisms through which elites interact with institutional structures to sustain underdevelopment and inequality (North, 1990; Mamdani, 1996).

Cognitive theory provides valuable insight into how resource wealth encourages short-termism among political elites, prioritizing immediate gains over long-term development, as demonstrated during Nigeria's 1970s oil booms (Tversky & Kahneman, 1981). Societal theory explains the obstruction of institutional reform by entrenched patronage networks, exemplified by elite resistance to the Petroleum Industry Bill (Shaxson, 2007). Rentier state theory highlights how reliance on oil rents undermines democratic accountability and fosters centralized, exclusionary governance, disconnecting Nigerian elites from broader public demands (Beblawi &

Luciani, 1987). Together, these theories elucidate the mechanisms through which resource wealth perpetuates underdevelopment and inequality (Karl, 1997).

These theories are especially relevant to the study because they provide a framework for understanding the political dynamics and decision-making processes that sustain the resource curse. While internal colonialism and neo-institutionalism focus on historical and structural conditions, political theories of behavior and governance bridge these insights with an analysis of contemporary political behaviors and constraints, offering a comprehensive lens to analyze the interplay between historical legacies, institutional structures, and political agency in Nigeria.

Methods

This chapter explores the methodological approach of content analysis, detailing the processes of data collection, coding, and presentation. Specifically, the research employs document analysis, a method that examines existing documents to generate empirical data (Bowen, 2009). Through the interpretation of these documents, connections between identified concepts are established to construct meaningful insights (Maxwell, 2012). To systematically organize and analyze the data, qualitative content analysis is employed, focusing on identifying themes, patterns, and underlying meanings within the textual or visual data. A deductive approach to content analysis is applied, utilizing pre-existing research or theoretical frameworks to guide the analysis. This involves starting with a fixed set of categories or codes derived from the theoretical framework, which are then systematically applied to the data to extract insights in a structured, top-down manner (Armat et al., 2018). In contrast, inductive analysis that goes to a bottom up approach, deductive content analysis relies on a theoretical framework to guide the analysis matrix (Zhang & Wildemuth, 2005).

The chosen theories provide a structure for approaching the problem, supporting Mayring's (2000) argument that established theories and analytical frameworks assist in identifying relevant variables and developing a coding system. A list of categories has been codified (see Table 1), relating to the selected theories. These categories or codes, aligned with the theories, are applied systematically to classify and assess the data. This approach enables a thorough evaluation of the collected data, including themes, connections, and patterns, providing a comprehensive understanding of the research. Moreover, it allows to enhances theories by identifying additional themes or categories that may emerge (Kyngäs & Kaakinen, 2020)

Table 1 Collection of categories.

1. Theoretical Framework (Conceptual Insights on the Resource Curse)

Category	Subcategory	Examples
Colonialism	**1.1 Centralization of Resources**	• **Land Use Act of 1978**: Centralized control of land under the federal government, mirroring colonial policies. • NEITI reports: Limited revenue allocation to oil-producing states like the Niger Delta.
	1.2 Socio Economic Marginalization	• **Niger Delta**: High poverty rates despite being the source of oil wealth. • UNEP report: Over **1,000 hectares of farmland** destroyed by oil spills.

	1.3 Dependence on Natural Resources	• **Decline of agriculture**: From 60% of GDP in the 1960s to less than 20% due to prioritization of oil. • CBN data: Over 90% of export earnings come from oil.
Neoinstitutionalism	**2.1 Persistence of Extractive Institutions**	• **NNPC**: Lack of transparency and accountability, with billions in unaccounted funds (NEITI audits).
	2.2 Elite Rent-Seeking	• **Fuel subsidy scandal (2012)**: $8 billion diverted into private accounts. • EFCC investigations: Fraudulent subsidy claims linked to politically connected businesses.
	2.3 Lack of Economic Diversification	• **NEEDS initiative (2000s)**: Failed to reduce dependence on oil. • CBN data: Oil accounts for over 90% of export earnings, showing a lack of investment in other sectors.
Political theories of behavior and governance	**3.1 Cognitive: Short-Term Political Decisions**	• **1970s oil boom**: Funds wasted on poorly planned projects like Ajaokuta Steel Mill, which was eventually abandoned.
	3.2 Societal: Patronage Networks Blocking Reforms	• **Petroleum Industry Bill (PIB)**: Persistent delays due to resistance from entrenched political interests. • Patronage networks: Use of oil sector appointments to reward political loyalty.
	3.3 Rentier State: Consolidation of Authoritarian Power	• **Tax-to-GDP ratio**: Among the lowest in sub-Saharan Africa, reflecting reliance on oil rents rather than taxation. • IMF fiscal reports: Oil rents weaken democratic accountability.

2. Empirical Mechanisms (Operationalizing the Resource Curse)

	2.1 Extractive institutions	• **The Nigerian National Petroleum Corporation (NNPC)** operates as a centralized body managing oil revenues, with repeated accusations of corruption and mismanagement (NEITI, 2020). • Colonial institutions designed for resource extraction, such as the **Royal Niger Company**, laid the groundwork for modern extractive institutions (Acemoglu & Robinson, 2012)
	2.2 Path dependence	• Post-independence elites inherited and adapted colonial frameworks like the **Land Use Act of 1978**, perpetuating centralized resource control and exclusion (North, 1990; Aluko & Amidu, 2006). • Institutional inertia blocks reforms, as seen in the delay of decentralization efforts
	2.3 Rent-seeking	• Political elites use oil rents to finance patronage networks, diverting revenues from public investment into private wealth accumulation (Shaxson, 2007). • **Audits of the NNPC** revealed billions in unaccounted funds, illustrating how rent-seeking undermines transparency (Transparency International, 2013)
	2.4 Colonial Institutional Legacy	• **Minerals Ordinance of 1946**: Centralized resource control under colonial rule prioritized metropolitan benefits.

		• **Indirect Rule**: Co-opted local leaders to enforce colonial policies, institutionalizing patterns of marginalization and exclusion (Okonta & Douglas, 2001)

Data Selection

This study utilizes qualitative methods to explore the problem statement and research questions. The inquiry mostly relies on secondary sources due to the impracticality of conducting firsthand observations. As described in more detail in the following paragraphs, the resources used in this project include books, online news, academic materials, journals, legislative materials, etc. These sources provided the researcher with precise information that enabled the author to determine and analyze how structural, institutional, and political barriers—shaped by colonial governance structures and perpetuated by post-independence elites—sustain the resource curse in Nigeria. This collected data significantly enhanced the understanding of the situation and research inquiry (Acemoglu & Robinson, 2012; Mamdani, 1996; Yin, 2009).

The primary sources of information for this study include A History of Nigeria by Falola, T., & Heaton, M. M. (2008) | Michael L. Ross' The Oil Curse (2012) | The Paradox of Plenty: Oil Booms and Petro-States by Karl, T. L. (1997) | and Oil Extraction, Dispossession, and Conflict in Nigeria's Niger Delta Region by Obi, C. (2010).

The book A History of Nigeria by Falola, T., & Heaton, M. M. (2008) is a comprehensive reference on Nigeria's history, spanning from the precolonial era to the present. It is particularly valuable as it provides a detailed context on how power structures and governance systems developed during British colonial rule and how they have persisted and evolved in the post-independence period. Falola and Heaton delve into how indirect colonial governance facilitated the creation of extractive institutions that benefited a narrow elite while marginalizing the majority of the population. This work is essential for understanding the historical roots of institutional weakness in Nigeria and how these structures have perpetuated dynamics of exclusion and inequality—critical factors in sustaining the "resource curse."

The Oil Curse: How Petroleum Wealth Shapes the Development of Nations by Ross (2012) offers an in-depth examination of how oil wealth shapes political institutions, decision-making, and economic outcomes. Ross provides valuable insights into the mechanisms of rent-seeking, centralized resource control, and elite-driven governance. His analysis of how resource wealth undermines democratic accountability and fosters institutional inertia is particularly relevant to Nigeria's case. The book also contextualizes Nigeria's challenges within global patterns, highlighting the commonalities among resource-dependent states while emphasizing the unique historical and political dynamics at play. This makes it a pivotal source for understanding the structural and political barriers sustaining Nigeria's resource curse.

The book The Paradox of Plenty: Oil Booms and Petro-States by Karl (1997) is a seminal work that explores the unique challenges faced by "petro-states" due to their dependence on oil. Karl examines how oil revenues, rather than fostering development, often reinforce extractive governance systems that benefit elites and consolidate structural inequalities. The author introduces the concept of the "paradox of plenty," explaining how natural resource wealth can become a curse for countries with weak institutions. This book is particularly relevant as it directly links the concept of the "resource curse" to institutional dynamics in Nigeria, offering an analytical framework that complements neo-institutionalism.

Obi (2010), in his book Oil Extraction, Dispossession, and Conflict in Nigeria's Niger Delta Region, examines how oil extraction has led to dispossession and conflict in the Niger Delta, focusing on how local elites and multinational corporations have co-opted institutions to maintain the status quo. This work highlights the relationship between resource exploitation, institutional weakness, and social exclusion, providing an empirical analysis that aligns with the dynamics described in the theoretical framework. Additionally, Obi argues that colonial structures have been adapted by postcolonial elites to consolidate their power, reinforcing inequalities and limiting opportunities for development.

Additionally, the paper by Thorp et al. (n.d.), The Challenges of Mining and Oil for Development, provides an applied perspective on the specific challenges posed by the exploitation of natural resources in oil-dependent countries such as Nigeria. This study is relevant to the research as it addresses the mismanagement of oil revenues, which has generated inequality and conflict instead of development. Its inclusion in the data collection strengthens the analysis of the structural problems related to resource management in Nigeria.

Likewise, the work of Robert J. Hind (1984), The Internal Colonialism Concept, has been selected for its theory on internal colonialism, which is useful for exploring the dynamics of power and exploitation within a country. In the case of Nigeria, the concept of internal colonialism is particularly relevant to explaining how Nigerian elites have exploited oil wealth at the expense of the producing regions, perpetuating the resource curse. This theoretical perspective provides a solid foundation for understanding the economic and social inequalities that characterize Nigeria.

Continuing with the development of the theoretical framework, the document Institutional and neoinstitutional theory in the international administration of organizations by Hernández (2008) has been selected for its insightful analysis of how institutions shape actors' behavior through incentives and constraints, emphasizing their role in consolidating power dynamics and resisting change. Its focus on how elites utilize institutions to maintain the status quo is pivotal for understanding the perpetuation of the "resource curse" in Nigeria, linking the colonial legacy to extractive and exclusionary institutional structures.

Finally, the article by Rodríguez-Marín, A. G. (2020), The Oil Curse in Nigeria, offers a direct and specific analysis of Nigeria's experience with the oil curse. This text is key to linking the theoretical context and broader studies on the resource curse with the concrete case of Nigeria, enriching the discussion on how dependence on "black gold" has influenced the country's economic, social, and environmental development.

Together, these sources provide a robust and multidisciplinary foundation for analyzing the complex interplay between historical legacies, political decisions, institutional dynamics, and natural resources in shaping economic development in Nigeria. They offer a blend of theoretical insights and applied case studies, ensuring a comprehensive analysis of the mechanisms and conditions sustaining the resource curse in the country. Furthermore, to ensure the inclusion of high-quality, academically relevant literature—particularly for the theoretical framework—specialized academic search engines such as Aalborg University

Library (2024) and Google Scholar (2024) were utilized. These tools facilitated access to peer-reviewed sources and key texts, enriching the study’s theoretical depth and empirical rigor.

Limitations

One significant limitation of this study is its reliance on secondary sources, as no firsthand observations or primary data collection were conducted. While secondary sources such as historical records, policy documents, and academic literature provide valuable insights, they inherently carry the risk of interpretative biases from the original authors (Bowen, 2009). This limitation may affect the ability to capture the full complexity of the lived experiences of affected communities, particularly in resource-rich regions like the Niger Delta, where on-the-ground observations could reveal nuanced socio-political dynamics and localized impacts of resource governance

Another limitation lies in the single-case study approach, which, while offering depth and specificity, limits the generalizability of findings to other contexts. As Yin (2009) highlights, the strength of a single-case study lies in its ability to explore phenomena deeply rooted in unique historical and contextual conditions. However, this focus on Nigeria means that broader conclusions about the resource curse may not directly apply to other resource-rich nations with differing institutional histories or political dynamics. Although Nigeria serves as a paradigmatic case, the country’s specific colonial legacies and political structures may differ significantly from those of other states.

Additionally, the study's qualitative nature, particularly its use of document analysis, introduces interpretative challenges. Deductive content analysis relies on pre-existing theoretical frameworks, which may inadvertently lead to confirmation bias, emphasizing data that align with the chosen theories while potentially overlooking alternative explanations (Elo & Kyngäs, 2008). The reliance on predefined codes may also restrict the ability to identify emergent themes that could enrich the analysis of the mechanisms and conditions sustaining the resource curse.

Lastly, the inherent complexity of the resource curse, involving overlapping historical, institutional, and political factors, poses a challenge in disentangling causal relationships. While the study integrates theories like internal colonialism, neo-institutionalism, and political theories of behavior and governance, the interplay between these frameworks may not fully account for all variables influencing the persistence of underdevelopment. This limitation underscores the difficulty in capturing the entirety of a multifaceted phenomenon within the scope of a single study (George & Bennett, 2005).

Analysis

During the colonial period in Nigeria, British governance established the foundational institutions and systemic practices that entrenched patterns of economic dependency, inequality, exclusion, and corruption, creating the conditions for what is now understood as the resource curse. These dynamics were not incidental but the deliberate outcome of colonial policies aimed at maximizing resource extraction for the benefit of the British metropole, while marginalizing local communities and dismantling pre colonial systems of governance.

British colonial policies in Nigeria embody the essence of External Colonialism, a system of domination that prioritizes the extraction of resources from the colony for the benefit of the colonial power, often at the expense of the development and well-being of the colonized population. As conceptualized by Mamdani (1996), this framework operates through a bifurcated state system in which authority is centralized within the colonial administration, relegating indigenous populations to subjugated roles primarily geared toward resource exploitation. This hierarchical structure institutionalized systemic exclusion and reinforced dependency, hallmarks of the Colonial Institutional Legacy mechanism.

One illustrative policy is the Minerals Ordinance of 1946, which granted exclusive rights over mineral resources to the colonial administration. This ordinance systematically excluded local communities from the wealth generated by Nigeria's abundant resources, redirecting economic benefits to Britain (Falola & Heaton, 2008). The ordinance not only consolidated colonial control but also entrenched inequalities by denying Nigerians any participatory role in the management or profits of their natural resources. Similarly, the Forest Ordinance of 1901 exemplifies the appropriation of communal lands under the guise of environmental conservation. By designating vast areas as forest reserves, the colonial government stripped indigenous populations of their traditional land rights and communal management systems, further reinforcing centralized control (Okonta & Douglas, 2001).

The Colonial Institutional Legacy plays a pivotal role in this analysis, emphasizing how these policies established enduring frameworks explicitly designed to prioritize the interests of the colonial state. Far from fostering local development or inclusive governance, policies such as the Minerals Ordinance of 1946 and the Forest Ordinance of 1901 served to reinforce these mechanisms, systematically facilitating the extraction and redirection of wealth to the metropole. This process left the colony structurally disadvantaged and excluded from its own resources. Rodney (1972) identifies this extractive logic as a central characteristic of external colonialism, emphasizing how colonial powers prioritized the systematic extraction of resources and wealth from colonized regions for the benefit of the metropole, with little to no reinvestment in the local economies or societies.

A clear manifestation of external colonialism was the divide-and-rule strategy employed by the British administration, as it reflects a deliberate procedure to fragment and weaken local resistance while consolidating colonial authority. This approach, central to the Colonial Institutional Legacy, created ethnic, regional, and religious divisions to ensure that no unified opposition could challenge British exploitation of Nigerian resources (Mamdani, 1996). By operationalizing this strategy through indirect rule, the British administration delegated governance to traditional rulers—emirs in the north and chiefs in the south—while simultaneously subordinating them to the colonial state's overarching extractive objectives.

The system of indirect rule disrupted pre-colonial governance structures, eroding indigenous systems of accountability and autonomy. Traditional leaders, co-opted into the colonial administration, became intermediaries tasked with enforcing exploitative policies such as taxation and resource extraction. These leaders derived their legitimacy not from the welfare of their communities but from their alignment with colonial interests, further entrenching the asymmetrical power dynamics characteristic of external colonialism (Dike, 2023).

In this context, the interplay between external colonialism and the Colonial Institutional Legacy becomes evident: British policies formalized and consolidated systemic exploitation through the fragmentation of Nigerian society and the co-optation of local leaders (Falola & Heaton, 2008). These frameworks not only consolidated colonial control but also entrenched patterns of exclusion and inequality that persist in Nigeria's governance and resource management to this day (Rodney, 1972).

The economic structure of colonial Nigeria was similarly designed to prioritize the extraction and export of resources over the development of a diversified local economy. Extractive institutions like the Royal Niger Company epitomized this approach, monopolizing trade and resources such as palm oil while excluding Nigerian entrepreneurs from participating in lucrative markets (Aloko, 2023). This monopolistic framework stifled local entrepreneurship and reinforced economic dependency on the colonial metropole. Neoinstitutionalism provides a useful lens for understanding these dynamics, highlighting how the design of extractive institutions created incentives that discouraged innovation and economic diversification (Acemoglu & Robinson, 2012). By embedding rent-seeking behaviors within the governance structure, these institutions perpetuated a reliance on resource exports, leaving Nigeria vulnerable to external economic shocks.

The taxation system implemented under British colonial rule in Nigeria exemplifies the extractive nature of external colonialism, a system designed to prioritize wealth extraction for the benefit of the colonizing power, with minimal regard for local development or accountability. This system entrenched patterns of inequality and corruption by levying taxes on local populations without providing them with political representation or mechanisms for accountability—a defining feature of external colonialism (Falola & Heaton, 2008).

In the northern region, emirs were co-opted as tax collectors for the British administration, a role that not only reinforced their dependence on colonial authority but also gave them direct access to the collected funds. The limited oversight from the colonial administration allowed for widespread abuses, including the misappropriation of funds for personal enrichment (Falola & Heaton, 2008). Similarly, in the southern regions, local populations faced exploitative taxation practices that further marginalized them economically and socially. These dynamics institutionalized systems of inequality, creating structures where wealth extraction was prioritized over the welfare of local communities (Falola & Heaton, 2008).

Political theories of governance and behavior, particularly those focused on patron-client relationships, provide critical insight into how these systems institutionalized corruption. Colonial administrators relied heavily on local intermediaries, such as traditional leaders, to enforce taxation and maintain order, effectively fostering patronage networks that prioritized short-term financial gains for both colonial administrators and local elites. This approach not only undermined efforts at sustainable governance but also entrenched corruption as a systemic feature of colonial governance (Beblawi, 1987).

These patronage networks exemplify the Colonial Institutional Legacy, as they created enduring systems of governance that prioritized the interests of the colonial administration and its local collaborators over the development of inclusive and accountable institutions.

The marginalization of resource-rich regions, exemplified by the Niger Delta, reflects the exploitative dynamics of external colonialism, where the primary objective was the extraction of wealth for the metropole at the expense of the local population. Under British colonial rule, the Niger Delta was systematically excluded from investments in infrastructure, education, and healthcare, despite its significant contributions to the colonial economy. This neglect exemplifies how external colonialism prioritized centralized extraction, treating resource-rich regions as peripheral zones to be exploited rather than developed (Okonta & Douglas, 2001). This dynamic aligns with the Colonial Institutional Legacy, which entrenched patterns of regional inequality and exclusion, creating a structural imbalance in resource allocation that persisted after independence.

The colonial administration's approach institutionalized disparities through governance structures that centralized resource control in the hands of the colonial state. Resource-producing regions, such as the Niger Delta, were not only deprived of equitable redistribution but were also systematically disempowered politically and economically. This institutional arrangement entrenched a hierarchy that favored central authorities aligned with colonial interests while marginalizing the periphery. Neoinstitutionalism helps to explain these dynamics by illustrating how institutions—designed to serve colonial objectives—shaped incentives and constraints that perpetuated extractive practices, prioritizing resource extraction over inclusive development (North, 1990).

This cycle of extraction and exclusion became self-reinforcing, illustrating the core tenets of path dependence: once an institution is established, the costs of reforming or dismantling it become prohibitively high, resulting in institutional inertia. The prioritization of resource extraction over inclusive development thus became a defining characteristic of Nigeria's governance structures, perpetuating economic disparities and regional underdevelopment. The enduring influence of these colonial institutions demonstrates how external colonialism, through its extractive logic and legacy, continues to shape Nigeria's political and economic trajectory (North, 1990; Okonta & Douglas, 2001).

After Nigeria gained independence in 1960, the extractive institutions and governance structures established during British colonial rule were not dismantled. Instead, these frameworks were adapted by domestic elites to consolidate their political and economic power, reinforcing the patterns of exclusion, inequality, and dependency characteristic of the resource curse. This continuation can be understood through the lens of path dependence within neoinstitutionalism, which explains how historical decisions constrain reform efforts and embed systemic dysfunctions (Acemoglu & Robinson, 2012).

The Petroleum Act of 1969 and the Land Use Act of 1978 exemplify the persistence of colonial institutional legacies in Nigeria's post-independence governance framework. These legal instruments not only entrenched centralized control over resources but also perpetuated the exclusionary and extractive practices inherited from British colonial rule. From the perspective of the colonial institutional legacy mechanism, these laws centralized governance structures designed to prioritize elite interests over equitable resource distribution. By declaring petroleum and land as the exclusive property of the federal government, these acts effectively marginalized local communities, particularly in resource-rich regions such as the Niger Delta, denying them access to and control over their resources.

Analyzing these policies through the lens of internal colonialism further highlights how post-independence elites assumed roles akin to colonial administrators. The Petroleum Act empowered institutions like the Nigerian National Petroleum Corporation (NNPC) to operate as centralized entities controlling oil revenues, mirroring the extractive dynamics of colonial institutions. Similarly, the Land Use Act transferred land ownership to the state, disenfranchising local populations and reinforcing regional inequalities. As González Casanova (1965) suggests, internal colonialism arises when domestic elites exploit peripheral regions for the benefit of the center, replicating colonial patterns of domination and marginalization.

The marginalization of the Niger Delta illustrates how these laws embedded socio-economic inequalities into Nigeria’s governance structures. Resource-producing regions were not only excluded from meaningful participation in resource governance but also subjected to a system that prioritized elite enrichment and state centralization. This analysis underscores how the colonial institutional legacy mechanism facilitated the structural conditions for internal colonialism to emerge, with post-independence governance perpetuating the same exploitative practices established during colonial rule (Mamdani, 1996; Rodney, 1972; Obi, 2010).

The establishment of the Nigerian National Petroleum Corporation (NNPC) in 1977 under Decree No. 23 illustrates how institutional frameworks in resource governance evolved to entrench elite interests, exemplifying the dynamics of rent-seeking. While nominally created to manage Nigeria’s oil wealth for the public benefit, the NNPC instead became a conduit for systemic corruption and resource mismanagement. This dynamic aligns with the neo institutionalist perspective, which emphasizes how institutional structures generate incentives and constraints that shape political and economic behavior (March & Olsen, 1989; North, 1990).

The institutional design of the NNPC created specific incentives that perpetuated inefficiency and corruption. For instance, the corporation’s monopolistic control over the oil sector concentrated decision-making power in a few hands, incentivizing rent-seeking behavior by elites who leveraged their positions to extract personal financial benefits (Karl, 1997; Beblawi & Luciani, 1987). The lack of transparency in revenue reporting and contract allocation further incentivized corruption, as weak oversight mechanisms allowed mismanagement to go unchecked (Shaxson, 2007). Additionally, the discretionary authority given to NNPC officials enabled the awarding of lucrative contracts and oil licenses to political allies, reinforcing patron-client networks rather than fostering fair competition (Obi, 2010).

Conversely, the NNPC's framework imposed significant constraints on accountability and effective governance. Its dual role as both regulator and operator of the oil industry created conflicts of interest that constrained its ability to enforce standards and monitor its own activities effectively (NEITI, 2020). The centralization of resource control within the NNPC also constrained regional governments and local communities from participating in decision-making or benefiting equitably from oil revenues. This exclusion not only perpetuated socio-economic inequalities but also fueled grievances in resource-producing regions like the Niger Delta (Obi, 2010; UNEP, 2011).

These incentives and constraints illustrate how the institutional design of the NNPC aligned with elite interests, prioritizing resource extraction and wealth consolidation over public accountability and sustainable development. The neo institutionalist framework underscores how such institutional structures embed behaviors that perpetuate rent-seeking, limit reform, and reinforce the dynamics of the resource curse in Nigeria (Acemoglu & Robinson, 2012; Karl, 1997).

The rent-seeking mechanism is evident in findings by the Nigeria Extractive Industries Transparency Initiative (NEITI), which exposed significant unaccounted oil revenues amounting to billions of dollars (NEITI, 2020). These missing funds, far from contributing to public goods like education, healthcare, or infrastructure, were siphoned off by political elites, reinforcing a system of exclusionary practices (Shaxson, 2007). Neoinstitutionalism sheds light on how institutions, rather than being designed to promote collective welfare, are often structured to serve the interests of dominant groups (Acemoglu & Robinson, 2012).

This behavior reflects a broader path dependence, a concept central to neoinstitutionalism, where initial institutional choices constrain future trajectories (North, 1990). The centralization of resource control within the NNPC, a legacy of colonial administrative practices, established incentives that prioritized the personal enrichment of elites over equitable development. This institutional inertia has created barriers to reform, as those benefiting from rent-seeking actively resist changes that would undermine their privileged positions (Falola & Heaton, 2008).

The concentration of resource management in a single institution like the NNPC also exemplifies the self-reinforcing nature of extractive institutions, where power dynamics discourage redistribution or accountability. By design, the NNPC's framework lacks robust checks and balances, enabling discretionary decision-making that facilitates rent-seeking (Mehlum et al., 2006). This aligns with neoinstitutionalism's observation that institutions do not merely regulate behavior but actively condition it by establishing rules that favor specific groups or behaviors (March & Olsen, 1989). In this case, the rules and norms surrounding the NNPC incentivize corruption, foster patronage networks, and obstruct attempts at transparency.

Ultimately, the case of the NNPC underscores how neoinstitutionalism helps explain the persistence of inequality in resource governance. Rather than serving as vehicles for inclusive growth, institutions like the NNPC are structured in ways that prioritize the interests of a narrow elite, reflecting the enduring influence of colonial administrative frameworks (Obi, 2010). By centralizing control and limiting accountability, these institutions perpetuate a rent-seeking culture that locks Nigeria into a cycle of resource dependence, underdevelopment, and elite capture (Sachs & Warner, 1995).

Environmental governance further underscores these dynamics. Legislation such as the Associated Gas Re-Injection Act of 1979, designed to regulate gas flaring and mitigate environmental harm, included exemptions that allowed environmentally harmful practices to persist (Eregha & Irughe, 2009). The consequences were most acutely felt in the Niger Delta, where decades of oil spills and gas flaring devastated ecosystems and destroyed livelihoods. Reports by the United Nations Environment Programme (UNEP, 2011) highlighted the extensive environmental degradation in areas like Ogoniland, estimating billions of dollars would be required for remediation. These environmental failures reflect the prioritization of elite interests over community welfare (Shaxson, 2007) and illustrate how extractive practices institutionalized during the colonial period were perpetuated and adapted in the post-independence era (Rodney, 1972). From the perspective of Internal colonialism, this environmental neglect underscores the systemic marginalization of resource-rich regions, where the costs of resource extraction are borne by local communities while the benefits are centralized (Okonta & Douglas, 2001).

The centralization of resource governance also entrenched socio-political inequalities through the creation of patron-client networks, a dynamic explored by societal theories of governance (Beblawi & Luciani, 1987). These networks distributed oil revenues strategically to secure political loyalty and maintain elite dominance. During the oil boom of the 1970s, for instance, substantial revenues were allocated to poorly planned projects designed to reward political allies rather than to promote sustainable development (Karl, 1997; Shaxson, 2007). A notable example is the Ajaokuta Steel Plant, a project that consumed significant public funds but never became operational (Sala-i-Martin & Subramanian, 2003). These patterns of rent-seeking highlight how the governance model established in post-independence Nigeria prioritized short-term political gains over long-term national development, reinforcing the structural weaknesses characteristic of the resource curse.

The prolonged delays and resistance to the Petroleum Industry Bill (PIB) illustrate the powerful influence of patronage networks and societal dynamics in obstructing reform. The PIB was designed to improve transparency, ensure local benefit-sharing, and enhance accountability in Nigeria’s oil sector, aiming to address long-standing issues of corruption and inequitable resource distribution. However, for over two decades, entrenched political and social interests resisted its passage, fearing it would disrupt the rent-seeking practices that sustain elite power (Obi, 2010).

Societal Theory sheds light on these dynamics by highlighting the role of informal networks and loyalty-based relationships in maintaining the status quo. These patronage systems, deeply embedded in Nigeria’s institutional legacy, create strong incentives for elites to block reforms that threaten their advantages. For example, the centralization of resource control and the concentration of decision-making power enable elites to dominate economic opportunities, while the lack of clear oversight mechanisms and discretionary financial practices facilitates favoritism and bribery. Such resistance is further reinforced by informal norms that prioritize short-term political and financial gains over long-term development . Practices such as political appointments based on loyalty rather than merit, and the informal redistribution of resources to secure political alliances, embed a culture of exclusion and clientelism (Beblawi, 1987; Putnam, 1993). This dynamic perpetuates inefficiency and corruption, obstructing efforts to create inclusive governance and sustainable development (Acemoglu & Robinson, 2012).

The socio-economic exclusion of resource-producing regions was further entrenched by Nigeria's dependence on oil revenues, a characteristic feature of a rentier state. Temporal myopia, as described by hyperbolic discounting (Frederick, Loewenstein, & O'Donoghue, 2002), led policymakers to prioritize immediate oil rents over the long-term benefits of economic diversification. This focus on short-term gains ignored the volatility of global oil prices, leaving the economy highly vulnerable to external shocks, such as the oil price collapses of 1986 and 2014, which exacerbated fiscal crises and social inequality. With oil rents accounting for over 80% of government revenue (IMF, 2016), the state minimized its reliance on taxation, resulting in one of the lowest tax-to-GDP ratios in sub-Saharan Africa. This fiscal dependence not only weakened accountability mechanisms but also reflected psychological inertia (Kahneman, 2011), as elites resisted reforms to the fiscal structure due to the perceived complexity and risk of change. By avoiding taxation, the state reduced its obligation to engage with citizens, further consolidating authoritarian governance structures.

Additionally, the aversion to structural change (Tversky & Kahneman, 1981) perpetuated policy stagnation. Leaders avoided diversifying the economy or reforming governance frameworks due to the immediate costs and uncertainties associated with these changes. Instead, they relied on familiar resource-based systems, which, despite their inefficiencies, provided a sense of control and predictability (Samuelson & Zeckhauser, 1988). This preference for the familiar further entrenched systemic inequalities, as resource-producing regions like the Niger Delta bore the environmental and socio-economic costs of extraction while receiving minimal benefits in return.

The consolidation of centralized oil rents facilitated the entrenchment of authoritarian power structures, as elites leveraged resource wealth to sustain patronage networks and suppress opposition. The prioritization of immediate resource rents over long-term economic stability illustrates how cognitive biases, including temporal myopia and confirmation bias (Nickerson, 1998), shaped governance in Nigeria. These biases not only reinforced the political and economic consequences of the resource curse (Karl, 1997) but also obstructed efforts to establish a more inclusive and resilient economic framework. The result was a self-reinforcing cycle where short-term decision-making perpetuated inequalities, dependency, and the exclusion of marginalized regions from national development

The post-independence governance of Nigeria was marked by the adaptation of colonial-era extractive institutions into centralized systems that prioritized elite interests over equitable development. Through the integrated perspectives of internal colonialism, neoinstitutionalism, and societal theories, it becomes clear that these institutions created a governance model that entrenched exclusion, inequality, and dependency. The centralization of resource control, the perpetuation of patron-client networks, and the marginalization of resource-producing regions illustrate how the structural legacies of colonial rule were not only preserved but actively reinforced, embedding the dynamics of the resource curse into Nigeria’s institutional framework.

In the contemporary era, the interplay of historical mechanisms and institutional dynamics continues to obstruct inclusive development in Nigeria. The persistence of rent-seeking behaviors, path dependence, and extractive institutions exemplifies how entrenched governance models perpetuate exclusion, inequality, and corruption. The

Local Content Act of 2010, aimed at enhancing Nigerian participation in the oil sector, exemplifies how institutions intended for inclusive development are often subverted by elite networks, perpetuating clientelist arrangements and undermining socio-economic benefits (Ajakaiye et al., 2016). Neoinstitutionalism provides critical insights into this dynamic by highlighting how institutions, once established, shape behavior through incentive structures that often align with the interests of those in power. In this context, the Act's provisions have been co-opted to reinforce existing extractive practices, reflecting the institutional path dependence described by North (1990). These entrenched governance structures disincentivize diversification, leaving the economy over-reliant on oil revenues and highly susceptible to external shocks, as illustrated by the 1.6% contraction during the 2015 oil price collapse (World Bank, 2016; Sala-i-Martin & Subramanian, 2003).

Despite initiatives such as the Economic Recovery and Growth Plan (ERGP) of 2017 and Vision 2020, neoinstitutionalism underscores how elite resistance to structural reforms perpetuates economic fragility and inequality. Corruption within these governance frameworks further obstructs progress, ensuring that diversification strategies are either poorly implemented or fail to achieve meaningful outcomes (BudgIT, 2021). The persistent failure to shift from extractive to inclusive institutions exemplifies how deeply embedded incentive structures limit transformative potential, reinforcing a cycle of dependency and underdevelopment (NEITI, 2020).

The socio-economic exclusion of resource-producing communities, particularly in the Niger Delta, exemplifies the structural inequalities embedded in Nigeria's institutional framework. Neoinstitutionalism elucidates how entrenched institutions perpetuate exclusionary practices by shaping incentives and constraints that prioritize elite interests over equitable resource distribution (Hernández, 2008). Institutions like NOSDRA, established under the NOSDRA Act of 2006, highlight this dynamic. Despite its formal mandate to regulate oil spills and protect the environment, the agency's chronic underfunding and weak enforcement capabilities incentivize inaction, allowing environmentally harmful practices to persist (UNEP, 2011; NOSDRA Annual Report, 2015).

Furthermore, institutional isomorphism highlights how external pressures, such as international environmental standards, have led to symbolic reforms without substantive changes to the underlying governance framework (DiMaggio & Powell, 1983). The adoption of international policies has not addressed the systemic marginalization of the Niger Delta, as entrenched interests within Nigeria's institutional framework continue to prioritize short-term economic gains over long-term sustainability. Ultimately, these dynamics underscore how Nigeria's institutions perpetuate the resource curse by aligning incentives and norms with elite control, leaving resource-producing communities to bear the costs of extraction without reaping its benefits (Karl, 1997).

Cognitive theory further explains the behavioral dimensions of these governance failures. Nigerian elites often adopt short-term strategies aimed at consolidating their power, such as military suppression or temporary agreements with militant groups like the Movement for the Emancipation of the Niger Delta (MEND), rather than implementing long-term structural reforms (Shaxson, 2007; Karl, 1997). These approaches prioritize immediate stability over sustainable development, reflecting cognitive biases that favor immediate gains and risk-averse decision-making. For example, while the Fiscal Responsibility Act of 2007 was designed to promote accountability in public revenue management, its effectiveness has been undermined by endemic corruption and elite capture, illustrating how institutional reforms are often co-opted to serve narrow interests rather than the collective good (NEITI Audits, 2020; Transparency International, 2013).

The interaction of historical legacies and contemporary governance mechanisms demonstrates how deeply entrenched institutional and behavioral patterns sustain the resource curse in Nigeria. Colonial-era practices of centralized resource control and marginalization of local communities were perpetuated during the post-independence period, creating a governance framework that privileges extraction over equity (Obi, 2010). Neoinstitutionalism highlights how path dependence solidifies these practices, making meaningful reform costly and politically unviable, while internal colonialism reveals the continuation of exclusionary dynamics where resource-producing regions bear the costs of extraction without reaping its benefits (Acemoglu & Robinson, 2012; North, 1990).

Moreover, the resistance to meaningful reform stems not only from institutional inertia but also from entrenched elite interests, which rationally evaluate that preserving the status quo maximizes their control and wealth (Becker, 1976; Arrow, 1963). This dynamic perpetuates the structural conditions that inhibit equitable development and deepen systemic inequalities. Through the integrated lenses of neoinstitutionalism, internal colonialism, and political theories, it becomes evident that contemporary governance in Nigeria represents a continuation of exclusionary practices rooted in colonial and post-independence systems. These practices prioritize elite consolidation over regional stability, perpetuating the structural foundations of the resource curse and obstructing pathways to sustainable and inclusive development (Karl, 1997; Obi, 2010).

Conclusion

This research concludes that Nigeria's resource curse is not an isolated phenomenon but rather the product of a dynamic interplay between historical colonial legacies, the persistence of extractive institutions, and contemporary political decisions shaped by entrenched power structures (Acemoglu & Robinson, 2012; Obi, 2010). The study reveals how institutional frameworks inherited from British colonial rule—originally designed to centralize and extract resources—have been reconfigured by post-independence elites to entrench their political and economic dominance. These dynamics have perpetuated structural inequalities and excluded vast segments of the population from pathways to sustainable development (Rodney, 1972; Mamdani, 1996).

The theory of colonialism has been critical in analyzing how systems of external exploitation evolved into domestic structures of marginalization, particularly in resource-producing regions like the Niger Delta (Mamdani, 1996; Obi, 2010). Neo-institutionalism has provided insights into how extractive institutions resist transformation and maintain structural inertia (North, 1990; Hernández, 2008), while political theories of behavior and governance have shed light on mechanisms such as rent-seeking and patronage that obstruct reform and reinforce inequality (Beblawi & Luciani, 1987; Shaxson, 2007). By integrating these perspectives, the research presents a nuanced analysis of the conditions sustaining Nigeria’s resource curse.

Methodologically, the use of qualitative content analysis and a single-case study has enabled a detailed examination of the historical and institutional dynamics at play. This approach highlights the specific mechanisms and power structures that perpetuate resource dependence, corruption, and socio-economic exclusion in Nigeria (Karl, 1997; Falola & Heaton, 2008).

This work does not attempt to provide universal solutions or extend its findings to other nations with resource wealth, recognizing the uniqueness of Nigeria's historical and institutional context. Instead, it offers a focused exploration of Nigeria's challenges, emphasizing the intricate interplay between colonial legacies and contemporary governance. In doing so, it deepens the academic understanding of how historical exploitation continues to shape resource management and governance in post-colonial states like Nigeria (Rodney, 1972; Karl, 1997).

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