

CURING THE CURSE:
REVENUE AND REPRESENTATION
IN CONTEMPORARY NIGERIA

By

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ABSTRACT

CURSING THE CURSE: REVENUE AND REPRESENTATION IN CONTEMPORARY NIGERIA

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Africans most commonly report “representing the people” as an elected official’s most important responsibility; however, only 16% of respondents report that their legislators “listen to what people like [them] have to say” (Afrobarometer Public Opinion, 2005). Given citizen preferences, under what conditions are African elected officials most likely to represent their constituents’ interests?

Scholars have continuously linked the development of representative institutions to the taxation of citizens. Originating in studies of Western Europe, theory suggests, in order to raise revenue for war/border protection, rulers enter into a contract with citizens: citizens agree to provide tax revenue in exchange for an enhanced role in governance. With taxation comes the incentive for political leaders to shift public policy and spending toward citizen interests. They do so in order to maintain their income source. However, this previous theory ignores how, in many instances, politicians have access to revenue from sources other than taxation. In particular, income from natural resources serves as a large, lucrative alternative to tax revenue. This is especially the case in the African context. How does access to natural resource wealth influence the development of representation? The central hypothesis is that access to an external revenue base provides an avenue that is less costly than bargaining with citizens. Those able fund their governments without taxation can also bypass the need to defer to citizen interests, stymieing the development of representative institutions.

In an application of this theory to Africa, analysis focuses on the Nigerian case, where interactions between income from taxation and petroleum create varied revenue compositions across (sub-national) states. Public opinion data as well as data collected during fieldwork in Nigeria (October 2010 – July 2011) are utilized to this end. This includes: budgetary data (1999 – 2009) from the Central Bank of Nigeria (CBN), original interviews with state and national legislators, and expert interviews with civil servants at the Federal Ministry of Finance, Federal Inland Revenue Service, and various state internal tax revenue boards.

Analysis begins with an outline of the contemporary system of revenue extraction and taxation in Nigeria. Next, utilizing Ordinary Least Squares (OLS) statistical models, examination of CBN budgetary data confirms that as revenue from taxation increases, both local and state government spending on public service provision increases. Following this finding, Hierarchical Linear (Statistical) Models are used to test the taxation-representation link at the micro-level. Evidence suggests that state legislators in more tax-reliant states spend the most time performing constituency services. Likewise, when making decisions, these legislators are most likely to prioritize citizens' preferences over other considerations. Last, the investigation considers the other side of the tax contract, investigating how ordinary Nigerians perceive taxation and representation. Using public opinion data, analysis confirms that, in exchange for tax payment, Nigerians expect government to shift their policy and spending to reflect public priorities. Therefore, in circumstances where Nigerians are more satisfied with government performance, we observe higher willingness pay taxes.

A relationship between taxation and representative governance suggests that strengthening local and state governments' tax administration and building citizen capacity to monitor government budgeting can also bolster responsive and democratic governance in Africa.

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TABLE OF CONTENTS

LIST OF TABLES	viii
LIST OF FIGURES	xv
INTRODUCTION	1
CHAPTER ONE Theoretical Framework: Explaining Revenue and Representation Linkages	10
CHAPTER TWO Democracy, Governance, and Revenue Generation in Contemporary Nigeria	36
CHAPTER THREE Revenue Sources and Subnational Government Spending Priorities	79
CHAPTER FOUR Leveraging Regional Variation in Tax Generation and Oil Dependence	109
CHAPTER FIVE Popular Perceptions of Taxation and Representation: Attitudes and Behaviors To Tax Payment	202
CHAPTER SIX Comparing Tax Cultures in Lagos and Kano	265
CONCLUSION Beyond Nigeria: Explaining Africans' Attitudes and Behavior Toward Taxation	304
APPENDIX	324
BIBLIOGRAPHY	345

LIST OF TABLES

Table 2.1	
Sources Of Federal Government Oil Revenue	72
Table 2.2	
Vertical Allocation Of Federation Account, 1981 – Present	72
Table 2.3	
Horizontal Allocation Of Federation Account, 1980 – Present	73
Table 2.4	
Current Income Tax Rates	73
Table 2.5	
Federal Government’s Revenue	74
Table 2.6	
Sources Of Federal Government Non-Oil Revenue	75
Table 2.7	
State Governments' Revenue	76
Table 2.8	
Local Governments' Revenue	77
Table 2.9	
Average Oil And Tax Dependence Among The States (1999 – 2009)	78
Table 3.1	
Conceptual Framework	95
Table 3.2	
Summary Statistics—LGA Model	96
Table 3.3	
Summary Statistics—State Model	98
Table 3.4	
LGA Model	99
Table 3.5	
State Model	100

Table 3.6	
Summary Statistics—Imputed LGA Model	101
Table 3.7	
Summary Statistics—Imputed State Model	102
Table 3.8	
LGA Imputed Model	103
Table 3.9	
State Imputed Model	104
Table 3.10	
Observations with Highest Cook's D Values	105
Table 3.11	
Observations with Highest Cook's D Values	106
Table 3.12	
LGA Model Without Outliers	107
Table 3.13	
State Model Without Outliers	108
Table 4.1	
Tax Generation in the South-West Region	164
Table 4.2	
Tax Generation in the North-East Region	164
Table 4.3	
Tax vs. Oil Income in Nigeria's Regions	165
Table 4.4	
Tax Generation in the North-West Region	165
Table 4.5	
Standard Deviation in Regional Tax and Oil Income as a Percentage of State Budget	166
Table 4.6	
Average Tax Generation in the South-West Region, 1999 – 2009	166

Table 4.7	
Average Tax Generation in the North-West Region, 1999 – 2009	167
Table 4.8	
Tax Generation in the South-west Region	168
Table 4.9	
Oil Dependence in the South-West Region	169
Table 4.10	
Tax Generation in the North-West Region	170
Table 4.11	
Oil Dependence in the North-West Region	171
Table 4.12	
Legislative Productivity in the South-West Region	172
Table 4.13	
Legislative Productivity in the North-West Region	172
Table 4.14	
Sampling Procedures in Six State Legislatures	173
Table 4.15	
Age of Legislators	173
Table 4.16	
Gender of Legislators	174
Table 4.17	
Ethnicity of Legislators	174
Table 4.18	
Religion of Legislators	175
Table 4.19	
Highest Level Legislators' Education	175
Table 4.20	
Occupation Prior to Legislative Office	176
Table 4.21	
Number of Years in Legislative Office	176

Table 4.22A Effect of Revenue on Legislators' Execution of Representation	177
Table 4.22B Effect of Revenue on Legislators' Execution of Representation	179
Table 4.23 Factor Analysis of Elite Representation Indicators Orthogonal Varimax Principle Factors	181
Table 4.24 Factor Analysis of Elite Representation Indicators Rotated Factor Loadings	182
Table 4.25 Effect of Revenue on Elite Representation's Two Dimensions	183
Table 5.1 Crosstabulation, Willingness to Pay Taxes and Belief in Executive Justification How Tax Income is Spent	239
Table 5.2 Chi Square Test, Differences in Rates of Income Tax Payment	240
Table 5.3 Chi Square Test, Differences in Rates of Property Tax Payment	240
Table 5.4 Chi Square Test, Differences in Rates of Local Government Tax Payment	240
Table 5.5 Hypothesized Effects of Quality of Representation and Trust on Citizens' Willingness to Pay Taxes and Actual Tax Payment	241
Table 5.6 Summary Statistics—Effect of Quality of Representation and Trust on Citizens' Willingness to Pay Taxes and Actual Tax Payment	242

Table 5.7 Demographic Comparisons Between Original Sample and New Sample	243
Table 5.8 Religion of Respondents	243
Table 5.9 Ethnicity of Respondents	243
Table 5.10 Urban vs. Rural Dwellers	244
Table 5.11 Gender Distribution	244
Table 5.12 Effect of Quality Of Representation and Trust on Citizens' Willingness to Pay Taxes and Actual Tax Payment	245
Table 5.13 Summary Statistics—Effect of Government Performance on Citizens' Willingness to Pay Taxes and Actual Tax Payment	247
Table 5.14 Effect of Government Performance on Citizens' Willingness to Pay Taxes and Actual Tax Payment	249
Table 5.15 Factor Analysis of Citizen Perceptions of Representation Indicators Orthogonal Varimax Principle Factors	252
Table 5.16 Factor Analysis of Citizen Perceptions of Representation Indicators Rotated Factor Loadings	252
Table 5.17 Factor Analysis of Citizen Satisfaction with Government Performance Orthogonal Varimax Principle Factors	253

Table 5.18 Factor Analysis of Citizen Satisfaction with Government Performance Rotated Factor Loadings	253
Table 5.19 Effect of Quality and Representation and Satisfaction with Government Performance Indices on Citizens' Willingness to Pay Taxes	254
Table 5.20 Urban Nigeria, Summary Statistics—Effect of Government Performance on Citizens' Willingness to Pay Taxes	255
Table 5.21 Urban Nigeria, Distribution of Household Income	256
Table 5.22 Urban Nigeria, Distribution of Respondents' Education	256
Table 5.23 Urban Nigeria, Religion of Respondents	256
Table 5.24 Urban Nigeria, Ethnicity of Respondents	257
Table 5.25 Urban Nigeria, Age Distribution	257
Table 5.26 Urban Nigeria, Gender Distribution	257
Table 5.27 Urban Nigeria, Effect of Government Performance on Citizens' Willingness to Pay Taxes	258
Table 6.1 State Demographics (2005 – 2006)	291
Table 6.2 Distribution of Working Population by Activity	293
Table 6.3 Tax Generation in Lagos and Kano	293

Table 6.4 Correlation Between Legislator's Home State and Belief States Should Collect	294
Table 6.5 Correlation Between Legislator's Home State And Belief Tax Department Can Compel Payment	295
Table 6.6 Urban Nigeria, Summary Statistics—Willingness to Pay Taxes in Lagos And Kano	296
Table 6.7 Urban Nigeria, Willingness To Pay Taxes In Lagos and Kano	298
Table 7.1 Summary Statistics—Effect of Quality of Representation, Trust, and Government Performance on Africans' Willingness to Pay Taxes and Actual Tax Payment	314
Table 7.2 Effect of Quality of Representation, Trust, and Government Performance on Africans' Willingness to Pay Taxes and Actual Tax Payment	318
Table 7.3 Africans' Willingness to Pay Taxes By Country	323

LIST OF FIGURES

Figure 4.1 Tax Generation in the South-West Cases (1999 – 2009)	184
Figure 4.2 Oil Dependence in the South-West Cases (1999 – 2009)	185
Figure 4.3 Tax Generation in the North-West Cases (1999 – 2009)	186
Figure 4.4 Oil Dependence in the North-West Cases (1999 – 2009)	187
Figure 4.5 Legislators' Ratings of How Effective their State Legislature Represents Constituents vs. Average State Tax Generation	188
Figure 4.6 Legislators' Ratings of How Effective their State Legislature Represents Constituents vs. 2009 State Tax Generation	189
Figure 4.7 Legislators' Ratings of How Effective their State Legislature Represents Woman vs. Average State Tax Generation	190
Figure 4.8 Legislators' Ratings of How Effective their State Legislature Represents Woman vs. 2009 State Tax Generation	191
Figure 4.9 Time Legislators Report Devoting to Constituency Work vs. Average State Tax Generation	192
Figure 4.10 Time Legislators Report Devoting to Constituency Work vs. 2009 State Tax Generation	193
Figure 4.11 Representation is Legislator's Most Important Job vs. Average State Tax Generation	194

Figure 4.12 Representation is Legislator's Most Important Job vs. 2009 State Tax Generation	195
Figure 4.13 Constituents' Views Are the Most Important Consideration When Making Decisions vs. Average State Tax Generation	196
Figure 4.14 Constituents' Views Are the Most Important Consideration When Making Decisions vs. 2009 State Tax Generation	197
Figure 4.15 In Case of Conflict, Will Oppose Party to Support Constituents vs. Average State Tax Generation	198
Figure 4.16 In Case of Conflict, Will Oppose Party to Support Constituents vs. 2009 State Tax Generation	199
Figure 4.17 If Legislator Ignores Constituents He/She Should Lose Seat vs. Average State Tax Generation	200
Figure 4.18 If Legislator Ignores Constituents He/She Should Lose Seat vs. 2009 State Tax Generation	201
Figure 5.1 "The tax department always has the right to make people pay taxes."	259
Figure 5.2 "Which of the following statements is closest to your view? Choose Statement 1 or Statement 2..."	260
Figure 5.3 "Who do you think actually has <i>primary</i> responsibility for: Collecting income taxes?"	261
Figure 5.4 "Have you had to make any of the following payments during the past year..."	262

Figure 5.5	
“Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes...”	263
Figure 5.6	
(ACROSS STATES) “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes...”	264
Figure 6.1	
“Who do you think actually has <i>primary</i> responsibility for collecting income taxes?”	299
Figure 6.2	
ELITES “The tax department always has the right to make people pay taxes.”	300
Figure 6.3	
CITIZENS “The tax department always has the right to make people pay taxes.”	301
Figure 6.4	
“Have you had to make any of the following payments during the past year...”	302
Figure 6.5	
“Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes...”	303

INTRODUCTION

Africans most commonly report “representing the people” as an elected official’s most important responsibility; however, only 16% of citizens across 20 African countries report that their legislators “listen to what people like [them] have to say” (Afrobarometer Public Opinion, 2008). Given citizen preferences, under what conditions are African elected officials most likely to represent their constituents’ interests? How do elected officials understand their role in government and their relationship with constituents? How do these views compare with those of citizens? Do these perceptions of representation vary according to the nature of the fiscal relationship between government and citizens?

Scholars link the development of representation, defined as the incorporation of citizen interests in political decision-making, to the taxation of citizens (Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999). Theories originating in studies of Western Europe suggest that, in order to raise revenue for war and border protection, rulers enter into a contract with citizens. Citizens agree to provide tax revenue in exchange for an enhanced role in governance. With taxation comes the incentive for political leaders to shift public policy and spending toward citizen interests. They do so in order to maintain their income source. However, this theory ignores how, in many instances, politicians have access to revenue from sources other than taxation. In particular, income from natural resources serves as a large, lucrative alternative to tax revenue. This is especially the case in the African context. How does access to natural resource wealth influence the development of representation? I differentiate between domestic sources of state revenue (income derived government taxation of citizens) and income from the sale of natural resources as an external source of income. I hypothesize, to the extent that

governments rely on revenue generated from taxation in order to fund public activities, elected officials will be representative of their constituents. In these cases, elected officials will utilize public policy and expending public resources in a manner that satisfies citizens' priorities. Once again, this assertion follows the description of how representative government formed in Western Europe (Levi 1988; Tilly 1985, 1990). "A [revenue production/tax] policy is understood as a contract between ruler and agents or ruler and constituents," which in exchange for revenue, citizens have a basis for requesting reciprocal goods and services (Levi, 1988: 49). Simply, taxation raises demands for representation. Representation, in turn, undergirds the consolidation of democratic practice.

On the other hand, I hypothesize that in states that are more dependent on natural resource rents, leaders are less likely to expend the resources to remain responsive to citizen interests. Again, Levi (1988) argues that state elites have their own interests, separate from other political actors. Being rational and seeking to maximize their own utility, these elites will seek the most cost-effective method of acquiring resources to carry out their agenda. Access to an external revenue base in the form of resource rents provides an avenue that is less costly than bargaining with citizens and possibly deviating from their preferred policy outcome. Thus, instead of bearing the transaction costs associated with taxation (e.g. enforcing compliance with tax policies), leaders with access to resource rents are able to fund their governments while bypassing the need to defer to citizen interests.

My research builds upon Ross' (2001) influential work, which demonstrates reliance on profits from natural resources is negatively associated with levels of democracy. Previous research performs the important preliminary task of unearthing the association between resource wealth and lack of democracy. However, my aim is to disaggregate the "oil hinders democracy"

hypothesis, uncovering the mechanisms of this relationship. A research direction focusing on micro-level analysis could prove to be more theoretically and empirically fruitful. By emphasizing individual linkages between citizens and elected officials, it is possible to investigate the structure of incentives for elite behavior. We can also consider how oil-income dependence influences these incentives. I hypothesize that in these resource-reliant governments, the fiscal relationship between elected officials and citizens, usually established by taxation, is broken. These officials are, in turn, less beholden to their constituents and the public will.

In an application of this theory to Africa, I focus on the Nigerian case, where interactions between petroleum and tax based income create varied revenue compositions across (sub-national) states. As a result, I also expect that, within Nigeria, the extent to which elected officials are representative of their citizens also varies.

Several scholars outline the Nigerian system of revenue generation, driven primarily by access to income from petroleum (Okoko and Nna, 1997; Suberu, 2003; Fajingbesi et al, 2004). For example, Ikein and Briggs-Anigboh (1998: 271 - 275) and Olaniyi (2001) provide a brief account of the history of petroleum in Nigeria. While the exploration for oil began in 1908, Royal Dutch Shell Incorporated made the first discovery in 1956 in Rivers State. Since 1958, oil production has been concentrated in the following Nigerian (subnational) states: Rivers, Delta, Edo, Imo, Abia, Akwa Ibom, and Cross Rivers. By 1990, oil rents made up almost 82% of national government revenue (Ikein and Briggs-Anigboh, 1998: 346). Nigeria's subnational governments also derive revenue from the petroleum industry. As of 2002, 55% of oil revenues accrue to the national government, 25% to the state governments, while the remaining 20% is distributed among local government administrations (LGAs). Of the revenue allocated to the 36

states, distribution is based upon equity, state population, level of state social development (e.g. education, health, water access), and state internal tax revenue effort (Usman, 2007).

Although Nigeria is heavily dependent on petroleum income, a structure for government tax generation exists, and has origins pre-dating British colonialism. Orewa (1979) and Guyer (1991) outline the history of taxation in Nigeria. Prior to British colonization, local chiefs exacted tributes from their people, and individuals paid them with crops or brass rods. During the colonial period, beginning in 1906, the British Colonial Government levied a livestock and cattle tax. As a result of the Native Revenue Proclamation, colonial leaders extracted these taxes as “their proper dues from their people in return for their works as rulers and judges” (Orewa, 1979: 3). Prior to independence, the Local Government Law of 1952 was enacted, allowing a local council to tax any “income from trade, business, profession, or employment” exceeding 100 naira. This was followed by the Regional Government income tax law, which established a personal income tax. The tax was progressive, ranging from between 3 kobo per naira (on incomes of 400 naira or less) to 45 kobo per naira on incomes exceeding 8,000 naira (Orewa, 1979: 15 - 6).

Issues of taxation, revenue, and governance continuously inform Nigeria’s political development. Post-independence (1960 – 1999), Nigeria’s military leadership repeatedly curtailed subnational entities’ power to tax. This created a situation where state and local governments were dependent on the national government for revenue. However, in the contemporary period, after Nigeria’s 1999 return to democratic governance, state and local governments have regained the authority to generate income, independent of federal transfers of petroleum revenue. Nigeria’s subnational governments differ in the extent to which they have mobilized income via taxation and/or rely on oil transfers. For example, between 1999 and

2009, Lagos State generated an average of 53% of their income from the taxes on citizens. This made Lagos the strongest tax generator, and during this period, 24% of Lagos' revenue was derived from federal oil transfers. On the other hand, between 1999 and 2009, Ebonyi State ranked last among all 36 states in tax generation, averaging only 3% of state income from taxes (68% from federal oil transfers). How does the difference between these two states' capacity to extract taxes influence how elected officials engage in citizen representation? Based on theories linking taxation and representative governance, I hypothesize that since the Lagos State Government relies more on tax income, elected officials will engage in more representative behavior and be more responsive to citizens.

Relying on subnational units of analysis, exploiting the variation in revenue generation within Nigeria, provides empirical leverage. With this method, I am able to “increase the number of observations, make controlled comparisons...[,] accurately code cases, and thus make valid causal inferences.” (Snyder, 2001: 93). In addition, state and local governments play an important role in Nigerian politics. These entities are charged with “the enhancement of representative grassroots democracy...[and also serve as] a mechanism for participatory integration people into the fold of democratic governance (Fajingbesi et al, 2004: 47). Therefore, focusing this analysis on state and local governance and revenue extraction has practical policy implications and relevance to the Nigerian context.

I utilize public opinion data as well as data collected during fieldwork in Nigeria (October 2010 – July 2011). This includes: budgetary data (1999 – 2009) from the Central Bank of Nigeria, 109 original interviews with state legislators and civil servants at the Federal Ministry of Finance, Federal Inland Revenue Service, and various state internal tax boards.

Analysis begins with an outline of the contemporary system of revenue sharing and generation. I go on to demonstrate that when subnational governments have greater tax capacity and fund public activities with income derived from taxation of citizens, state legislators are more representative of citizens. Specifically, these governments and elected officials are more likely to engage in behaviors that are representative of their constituents' interests, including spending more government revenue on public services and spending more time providing various constituency services. Furthermore, citizens in states where leaders rely on taxation are more likely than their counterparts in resource-dependent states to view their government as representative. Thus, when taking natural resource income into account, Western European theories of the fiscal contract between elites and citizens and origins of representative governance also apply in Africa.

Dissertation Outline

This dissertation is organized in the following manner:

Chapter One examines the literature on democracy, representation, and the role government revenue plays in the development of both. In particular, I investigate previous definitions of political representation, separating this concept from other related concepts. I also examine the role representation plays in democratic consolidation. This chapter discusses historical relationships between representative processes and government revenue in Western Europe. Moreover, I identify how previous analyses overlook the influence of non-tax revenue on the development of representation. I further examine theories of how tax-based and non-tax revenue

influence governance in Sub-Saharan Africa. Using this theoretical framework, I present my analytical focus of study and the hypotheses that I will later test.

In Chapter Two, I examine the role revenue (and gaining access to income) has played in the development of democracy and politics in Nigeria. This includes an investigation of revenue generation in previous civilian and military regimes and in neopatrimonial relationships between politicians and citizens. Over time, we see that gaining access to revenue influenced decisions by civilian and military governments to consolidate or disperse political and fiscal power through Nigeria's federal system. Using Nigeria's past and present constitutional frameworks, I discuss the evolution of state and local governments' autonomy from the national level. Thereafter, I examine Nigerian fiscal federalism, considering revenue sharing from petroleum, the current system of taxation (internally generated revenue, IGR), and current reforms and debates in oil revenue sharing and the tax system.

Chapter Three investigates conditions under which Nigerian local and state governments are most likely to engage in representative behaviors, primarily spending public revenues on public service delivery. Local and state governments, increasingly important to the execution of Nigerian democracy, are being granted the power to raise revenue via taxation in order to facilitate the execution of growing duties. What determines local and state government spending priorities? Gibson and Hoffman (2005) find that in Tanzania and Zambia, local governments deriving a larger portion of their revenue from citizen taxation are less likely to spend money on recurrent expenditures (e.g. government salaries) and more likely to spend revenue on public service delivery. Using Central Bank data, I test and confirm this hypothesis in Nigeria at the local and state government levels.

In Chapter Four, I rely on individual-level data to investigate the relationship between revenue and representation. Focusing on the regional variation in tax generation (vs. oil dependence) in the South-West and North-West regions, I select a high performer, average/medium performer, and low performer. This results in six case-states. First, I profile each state's revenue effort and legislature. Next, I examine if varied government capacity to generate tax revenue (high, average, low) influences how elites report engaging in representative functions. Relying on interviews conducted with legislators in Lagos (high), Oyo (average), Ekiti (low), Sokoto (high), Kano (average), and Katsina (low) States, I find that officials in high tax-generating states spend more time performing constituency services. These legislators are also more likely to prioritize citizen preferences over other considerations.

Chapter Five investigates the other side of the tax contract: under what conditions are Nigerians more likely to comply with requirements for tax payment in the first place? I hypothesize that compliance with demands for tax payment is dependent on two beliefs (Levis, 1988). First, an individual must believe that political leaders will fulfill their end of the bargain; a citizen must perceive that, if he or she pays taxes, government will reciprocate by incorporating citizens' interests in policymaking. Second, a taxpayer must believe that other citizens are complying with tax payment. If this is the case, Nigerians who identify that their elected officials are representing their interests in government will also be more willing to pay taxes. These individuals will also report compliance with actual tax payment at a higher rate than Nigerians who do not feel politicians are representing them. Second, Nigerians who believe that other citizens are complying with tax payment will be more willing to pay taxes and also follow through with actual payment. Utilizing Ordinary Least Squares (OLS) models as tests, analysis supports these hypotheses.

In Chapter Six, I go on to perform an inter-regional analysis of taxation and governance, comparing two states in each region. Though Lagos (South-West Region) and Kano (North-West Region) share similar levels of socio-economic development and a comparable workforce, there is a large gap in each state's tax effort. I investigate these differences in Lagos and Kano's tax extractive capacity using archival data and interviews with members of each state's tax administration. Evidence suggests that elite political initiative in Lagos has empowered the state revenue board to engage citizens in a public campaign. As a result, tax officials have been informing Lagosians of the benefits of taxation and the process of tax payment. Conversely, in Kano, the revenue board is largely relegated by the political arms of government and denied resources to launch such a campaign. As a result, Lagos and Kano have two different tax cultures, which ultimately influence their capacity to extract taxes.

In the concluding chapter, I use the Afrobarometer to expand this research to other countries in Africa. Beyond Nigeria, Africans also recognize that taxation is a fiscal contract with elected officials. Across Africa, when individuals are satisfied with representation from elected officials and government performance, they are more willing to pay taxes and make actual payments. It also holds that when an African trusts that others are complying with tax payment, she will be more willing to pay taxes and report paying them.

This research suggests that Western European theories of revenue extraction and the fiscal contract between elites and citizens can be expanded to Africa if these models also consider non-tax income. Furthermore, once accounting for varied revenue sources, these theories are useful in explaining attitudes, political behavior, and decision-making. In Nigeria, and across Africa, taxation results in representative governance. This link suggests that building citizen capacity to monitor government budgeting can bolster responsive government.

CHAPTER ONE

Theoretical Framework: Explaining Revenue and Representation Linkages

Background: Representation and Democracy

Under what conditions is the development of representative institutions, a key facet of the practice of democracy, most likely to occur? In the following section, I investigate the role representation plays in the entrenchment of democracy. Furthermore, I explore how government access to different forms of revenue influence the expansion of representative institutions and ultimately democracy in developing contexts.

Democracy is defined as a political regime where citizens are able to choose or remove political leaders via competitive multi-party elections (Dahl, 1977/1989; Huntington 1991; Schmitter and Karl, 1991; Bratton and Van de Walle, 1997). Researchers propose several explanatory factors to account for the variation in successful democratic consolidation after transition from an authoritarian regime. These variables include a shared sense of national identity among citizens (Rustow, 1970; Mann, 2004), elections (Huntington, 1991; Lindberg, 2006), electoral systems (Lijphart, 1984; Reynolds, 1999), and civil society (Diamond, 1992; Putnam, 1993). However, these theories of democratic consolidation in new democracies do not consider how the formation of representative institutions also contributes to democratic governance. Aldrich (1995: 3) argues that, “to be truly democratic, it is necessary for any nation’s leadership to be harnessed to public desires and aspiration.” Representation, defined as the process in which elected officials work to convert popular demands into public policy, provides this harness (Aldrich, 1995; Stokes, 1999).

As Dahl (1989), Huber and Powell (1994), and Powell (2004) argue, representation is key

to the practice of modern democracy. According to Huber and Powell (1994: 292), “the congruence between the preferences of citizens and the actions of policymakers constitutes a major claim and goal of liberal democracy.” Through the practice of representation, elites in functioning democracies channel divergent interests into government, sorting different interests, and executing the majority will. Powell (2004) expands this, arguing that mere responsiveness is not enough: institutions must be in place to reliably ensure that the process of representation occurs. Political parties and elections have been cited as chief coordinators of politics, filtering preferences, and creating a cohesive strategy for the eventual institutionalization of majority preferences. Thus, the development of representative institutions is a vital element of democracy.

For example, legislatures have been identified as representative institutions that contribute to the development of democracy. In fact, some scholars argue that the success of a country’s democracy hinges on the strength and competence of the legislature. According to Fish (2006: 5), “the presence of a powerful legislature is an unmixed blessing for democratization.” Utilizing an index of parliamentary powers (Parliamentary Power Index, PPI), Fish (2006) demonstrates when a country has a strong legislature it is more likely to have a strong democracy.¹ A weak legislature undermines democracy in two ways: first, it undermines “horizontal accountability...[that is] the controls that state agencies are supposed to exercise over other state agencies” (Fish, 2006: 12). If the legislature is unable to provide checks on executive power, including in the bureaucracy, abusive practices are more likely to occur. Second, weak legislatures destabilize “the growth of vertical accountability, meaning the ability of the people to control their representatives” (Fish, 2006: 13). A strong legislature is more capable of linking

¹ Legislative strength is measured with the “Parliamentary Powers Index (PPI), based on 32 items that cover the parliament’s ability to monitor the president and the bureaucracy,

elected officials with their constituents and acting upon citizens' preferences. Moreover, vertical accountability affords voters the ability to reward or punish her representatives based upon the perception that her expectations have been met.

In addition to serving as mechanisms for accountability, legislatures are "the one institution explicitly established to represent society's diverse interests in government" (Barkan, 2009: 1).

Barkan (2009: 7) goes on to identify representation as a legislature's fundamental function:

"Regardless of the type of electoral system by which the members of the legislature gain their seats, the main purpose of individual legislators and the body to which they belong is to represent, that is to say re-present or mimic the varied and conflicting interests extant in society a whole. The legislature is the institutional arena where representatives of competing interests articulate and strive to advance their respective objectives in the policymaking process."

Thus, legislatures serve as an example of an important representative institution that allows elected officials to engage, manage, and act upon citizens' interests.

The next section continues this discussion, exploring conditions under which political representation is most likely to develop. Specifically, two questions delineate the theoretical framework:

1. What is political representation?
2. Historically, what conditions are most conducive to the development of representative government?

What is representation?: Linking Citizen and Elite Preferences

Political scientists (e.g. Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999) define *representation* as the incorporation of citizen interests into political decision-making. This perspective takes for granted that an elected official's primary function is to ascertain majority will and then translate that will into political outcomes.

On the other hand, scholars of Western political philosophy engage in a lively debate about the purposes of political representation, shedding light on alternative views. For example, instead of arguing that elected officials merely reflect the citizens' interests, Burke (1770, 1774) asserts that an elected official cannot simply mirror their citizens' preferences. Being better informed, these politicians must make use of their own judgment and understanding to make decisions that are truly in the collective's best interest. Burke (1774) concludes that representatives are not agents, but trustees and enforcers of one national interest. As such, they must use their faculties to ensure that the common good prevails. However, Hamilton/Madison (1788) argue "frequent elections are unquestionably the only policy by which [elected officials'] dependence and sympathy [with citizens] can be effectually secured...binding the representatives to their constituents." This institutional structure creates a circumstance where an elected official, at least temporarily, is concerned with her constituency's interests. Thus, while officials may be elected for the strength of their judgment and understanding, they must ultimately pursue constituent interests (if only for the purpose of reelection).

Bratton (2009: 4) refers to representation as "the role of elected officials in conveying popular demands onward to deliberative and decision-making bodies." This is differentiated from responsiveness, a leaders' willingness of to pay attention to citizen preferences and demands. Representation is also separate from accountability, which is citizen assessment of elected officials' performance, for example by reelection or removal of those politicians via periodic elections. While these three concepts are distinct, they are, in fact, related.

Accountability, occurs when "first, there is an understanding that A is obliged to act on behalf of B. Second B is empowered by some formal institutional or perhaps informal rules to sanction or reward A for her activities or performance" (Fearon, 1999). Following Bratton

(2009), when considering government accountability, elections serve as one instrument by which citizens (B) are able to hold elected officials (A) to task. Thus, government accountability is performance-based. Citizens' retrospectively observe elected officials' activity and determine whether to re-elect (reward) or remove them from office (sanction) (e.g. Persson et al, 1997; Cheibub and Pzeworski, 1999; Ferejohn, 1999; Manin et al, 1999).

While accountability is a citizen's ability to demand government performance, *representation* is the process by which elected officials act on behalf of constituents, gauging, deliberating upon, and eventually incorporating citizen interests in political decision-making (e.g. Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999). However, following Pitkin's (1967) definition of representation, which stipulates that elected officials act in the best interest of the people, I argue that *responsiveness*—paying attention to citizen interests—is nested within representation, allowing officials to carry out the procedure of representation. In order for leaders to confer citizen preferences into public policy, they must first be willing to take note to their constituents and remain active listeners.

In a similar vein, principal-agent theory elaborates upon the relationship between elected officials and citizens, and the circumstances where these elites are compelled to act in the best interest of their constituents.

In order to coordinate collective action for the purpose of governing a society, classical principal-agent theory suggests that citizens take advantage of expert specialization, delegating decision-making duties to elected representatives (Pitkin, 1967; Calvert et al 1989; Pzeworski, et al, 1999). In this case, citizens are principals, while political officials are intended to serve as their agents. In essence, this is a contractual relationship. Principals seek to mold agents' behavior so that they will consistently act in accordance with principals' preferences. However,

an information asymmetry exists, whereby agents possess expert policy knowledge that principals do not. Not only are elected officials equipped with the authority to make laws in a host of policy arenas, but also these political elites can compel citizens to comply with policy decisions. Since elected officials (agents) enjoy information advantages over their constituents (principals), elites must be policed in order to ensure adherence to the “public interest” and other goals of the citizens-principals. Principals pay specification costs to identify acts of the agent that would satisfy the principal's preferences and policing costs in monitoring and enforcing compliance (Mitnick 1973, 1975, 1980: 150).

Given these circumstances, we must consider various tools citizens can use to ensure that elected officials act in their best interests? In other words, how can citizens ensure that they are being represented in government (Pitkin, 1967; Powell, 2004)?

Evaluating how political arms of government exert influence over non-elected bureaucracies, another classic principal – agent relationship, can help shed light on how citizens can, in turn, influence politicians. Primarily, these scholars explore how legislatures and executives regulate bureaucratic behavior (in the U.S. context).

Researchers have asked: “who controls the bureaucracy?” As a result of bureaucratic policy expertise, information asymmetry, agency mission, and constituent support, bureaucratic agencies have some autonomy in policy making (Moe, 1984; Rourke 1984; Meier, 1985). Moreover, bureaucrats have their own interests and goals, separate from Congress and the president (Ogul, 1976; Wilson, 1980; Weingast, 1981). Given these circumstances, how do elected officials exert authority over the bureaucracy?

Both Congress and the president can exert influence over bureaucratic behavior through a variety of tools, including: nomination/approval/dismissal of bureaucrats, setting agency budgets,

the presidential veto, and Congressional overrides of vetoes (Calvert, McCubbins, and Weingast, 1989; Hammond and Knott, 1996). Ex-ante controls are tools that allow politicians to influence bureaucratic behavior *before* agencies take a particular policy action. Congress and the president make use of this type of control by requiring agencies to engage in public hearings, burden of proof requirements, and Congressional or executive over-sight committees monitoring agency activities (McCubbins, Noll, and Weingast 1987; Moe 1982, 1984, 1987; Hammond, 1986; Epstein and O'Halloran, 1995; Schneider and Jacoby, 1996; Furlong, 1998). Ex-post controls, allowing politicians to sanction or reward agencies *after* they take a policy action, incorporate budget increases or sanctions and the reliance on constituents to voice discontent with agency actions (Weingast, 1981, 1984; Weingast and Moran, 1983; McCubbins and Schwartz, 1984; Calvert, Moran, and Weingast, 1989).

We are able to apply these types of controls (ex-ante, ex-post) to consider how citizens can shape the incentives for elected officials to act in accordance with citizens' various interests. Free and fair elections have been cited as an ex-post tool citizens have to exercise accountability over politicians. Citizens can vote for candidates who act on their constituents' interests, while throwing out officials who do not adhere to expectations (Fearon, 1999; Manin, Pzeworski, and Stokes, 1999). However, when asked about how well elections "ensure that the Representatives to the National Assembly reflect the views of voters," 71% of Nigerians report "not very well" or "not at all" (Afrobarometer, 2008). Furthermore, international reports characterize Nigerian presidential, legislative, and state elections (1999, 2003, 2007) as "marred by massive fraud, vote rigging, and violence" (Freedom House, 2008). Moreover, when we specifically consider Nigeria's National Assembly, there is a high turnover rate of incumbent legislators. According to Lewis (2011: 7):

“Each successive legislature in Nigeria since 1999 has reflected substantial turnover. Incumbent legislators typically lose their seats by failing to be re-nominated by their parties, rather than through defeat at the polls. [For example], Nigeria’s 2007 Assembly retained less than 20 percent of the members from the preceding legislature...In 2011, about a third of incumbents in the Senate and a quarter of the House of Representatives were returned to office.”

In this context, accountability, that is, rewarding/sanctioning officials via elections, is difficult to carry out. If the threat of ex-post punishment is minimal, what other incentive does an elected representative have to act in accordance with their constituents?

I propose that citizens have another tool at their disposal to ensure representation: the fiscal contract: tax payment. As an ex-ante control, citizens make tax payments to government in expectation that political outcomes will reflect citizen preferences (Huber and Powell, 1994). This reciprocity has been extended to encompass tax payment in exchange for government provision of public services (Levi, 1988; Brautigam, et al, 2008). The next section details the nature of the representation-taxation link. I hypothesize that, as elected officials become fiscally dependent on their constituents to fund government policies, they are more likely to cede to citizens’ policy interests. When citizens pay taxes, they begin to demand an account of how their financial contributions are spent. As a result, elected officials become increasingly willing to yield to their citizens’ expectations, minimizing the chance that citizens will shirk or revolt against tax payment.

Historically, what conditions are most conducive to the development of representative government?

Examples from the Western Context

Scholars have continually linked the development of representative institutions in Western Europe to the process of revenue extraction (i.e. taxation). This model begins in the 15th and 16th Centuries, when Western European rulers engaged in war, border protection, and forging nation-states. However, a major limitation that these rulers faced was access to revenue. According to Levi (1988: 2), access to “revenue enhances the ability of rulers to elaborate the institutions of the state [and] to bring more people within the domain of those institutions.” In order to raise income to engage in these activities that shore up and extend their authority, rulers turn to taxing citizens. Specifically, rulers and citizens entered into a fiscal contract: citizens agreed to provide tax revenue in exchange for an enhanced role in government. With taxation came the incentive for political leaders to shift policy toward citizen interests (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989; Acemoglu and Robinson, 2005).

Tilly (1985; 1990), Bates and Lien (1985), Levi (1988), and North and Weingast (1989) pioneer this revenue-driven perspective of representation for Western European. These scholars regard rulers as rational actors with their own particular interests. A ruler’s ability to maximize his or her own utility is intertwined with the ability to acquire income. War-making, state-making, and protecting borders are the key activities for which revenue is necessary (Tilly, 1985). Thus, the state is by nature predatory: constantly “[attempting] to set the terms of trade that maximize their personal objectives...[requiring] them to maximize state revenue” (Levi, 1988: 10).

A ruler's ability to maximize and guarantee tax income depends on bargaining with citizens for compliance (Bates and Lien, 1985; Levi, 1988). However, mass compliance relies on a given taxpayer's perception that other taxpayers are compliant with payment, and that the ruler will provide benefits (e.g. providing military defense, justice; Levi, 1988). Thus, when citizens' have more favorable evaluations of government performance, they are more likely to comply with demands for tax payment. Therefore, rulers have an incentive to exchange (public) services for tax revenue (Timmons, 2005). Representation—once again defined as the incorporation of citizen interests in political decision-making—results from this bargaining process between rulers and citizens. Representative institutions grant legitimacy to rulers' demand for revenue (Hoffman and Norberg, 1994).

Scholars of the fiscal contract also elaborate upon the explicit nature of the bargaining process between rulers and citizens. Bates and Lien (1985) demonstrate how, in Western Europe, when monarchs pursued the taxation of “moveable” property (e.g. cows, oxen, grain, which could be transferred from one location to another), rulers directly bargained with property owners. In exchange for a guaranteed tax base, monarchs offered deference to these citizens' policy preferences. North and Weingast (1989: 817) provide the example of England's 1688 Glorious Revolution, and argue “in exchange for the greater say in government, Parliament agreed to put the government on a sound financial footing. That is, they agreed to provide sufficient tax revenue.”

Other historical examples suggest that taxation of citizens in order to obtain revenue for government activities that then leads to political representation of citizens' interests. Levi (1988: 100), describing the Western Europe (e.g. France and England) during the establishment of national tax systems, argues, “[creating] a fiscal system adequate to the new pressures

confronting monarchy required regular taxation [necessitated] a new conception of royal power.”

At the time “medieval monarchs lacked the right and the power to impose taxes at will” (Levi, 1988:105). As a result, rulers were forced into bargaining with citizens for access to tax revenue.

According to Tilly (1990: 101):

“Bargaining took many forms: pleading with parliaments, buying off city officials with tax exemptions, confirming guild privileges in return for loans or fees, regularizing the assessment and collection of taxes against the guarantee of [citizens’] more willing payment, and so on. All this bargaining created or confirmed individual and collective claims on the state, individual and collective rights vis-à-vis the state, and obligations of the state to its citizens. It also created rights—recognized enforceable claims—of states with respect to their citizens.”

Levi (1988) provides a concrete illustration of this process via a discussion of the introduction of the direct income tax in Britain in 1799. “Throughout the eighteenth century, costly foreign conflicts put increasing stress on British revenue production,” including the Seven Years’ War (1756 – 63), the American Revolutionary War (1775 – 84), and involvement in the French Napoleonic Wars (1793 – 1815) (Levi, 1988: 125 – 127). Levi argues that the British government was successful in implementing the direct income tax because they provided citizens with specific assurances: “government successfully convinced the citizenry that the income tax was necessary to finance a popular, if costly, [Napoleonic] war” (1988: 137 - 138). Furthermore, government assured that the funds would be used to support the military in carrying out a successful campaign. Last, following a reorganization of the tax administration, government could credibly guarantee that “all citizens would pay their share and that government agencies would be honest; no one would be a sucker.” With this example, Levi (1988) demonstrates the overt nature of the fiscal contract: in exchange for income tax payment, citizens receive guarantees that government will act upon constituents’ policy interests (in this case, the Britain’s

successful participation in the Napoleonic wars).² Thus, historically, representative government is a result of the tax contract and explicit bargains between leaders and citizens. In other words, representation emerged as a result of the taxation of citizens.

Bates (2008) extends the characterization of governments as “predatory” to the African context, expanding upon the forms of revenue available to leaders. He argues that governments have two options for acquiring income: leaders can extract revenue from citizens via taxation in exchange for service provision, or through the predation of state institutions. Moreover, there is a tradeoff between taxation and predation. As long as the benefits of taxation outweigh what could be derived from the short-term gains from looting, officials will maintain their bargain with citizens. However, Bates argues that in sub-Saharan Africa, because “predation and corruption seemed to offer greater rewards than providing stable administration, state leaders undermined their own economies, eventually provoking conflict and rebellions” (Bates, 2009: 5). In these instances, predation is preferred for three reasons. First, the energy crisis of the 1980’s created a crisis in public revenues in many African governments. Second, in the post-Cold War era, when African governments returned to democratic practice, incumbents were confronted with the possibility of shorter political horizons. Finally, many African countries had access to (lootable) natural resources. These three circumstances, taken together, fostered a situation at the end of the 20th Century where African leaders viewed predation as more attractive option than building political stability and order.

² Later chapters will demonstrate that the Nigerian state governments most successful in revenue mobilization via taxation of citizens engage in a similar campaign. They explicitly bargain with citizens in a tax contract. Having effectively overhauled the tax administration, government educates citizens about the overall tax structure and the responsibility of tax compliance. Moreover, these state governments assure citizens that their financial contributions will be used for policies that benefit public interest.

As Bates (2008) argues, I contend that the Western European version of the “predatory state” framework does not consider how the availability of a non-tax source of income (e.g. natural resource revenue) would influence the development of representation. Rulers, as rational actors seeking to maximize their own utility, will also seek the most cost-effective method of acquiring income. In this case, access to an external revenue base, provides an avenue that is less costly than bargaining with citizens. Rulers can avoid the costs of building tax capacity and maintaining institutions for tax extraction and enforcing compliance. Therefore, leaders who are able fund their governments without taxation can also bypass the fiscal contract with citizens, no longer deferring to citizen interests. I hypothesize that dependence on natural resource revenue ultimately stymies the development of representative institutions.

It is important to account for the impact of a lucrative, non-domestic revenue base (i.e. natural resource rents in sub-Saharan Africa) on the interaction between political leaders and their citizens. I hypothesize that, with the availability of resource wealth, political leaders lack the incentive to negotiate with citizens. In other words, income from the sale of natural resources interrupts the link between taxation and representation. Incorporating natural resource rents into the revenue-centered perspective allows us to consider the circumstances under which political representation will or will not emerge.

Taxation and Representation in Africa

Scholars have begun to apply the fiscal contract model in developing contexts. They specifically consider linkages between taxation and representation, and performance-based bargaining between governments and citizens in Africa.

Gibson and Hoffman (2006) investigate how sources of revenue influence government performance and spending in Africa. Using budgetary data from Tanzanian and Zambian local governments, they find that “revenue derived from citizens will induce politicians to expend more funds on public services” (Gibson and Hoffman, 2006: 7). On the other hand, when local government income is derived from sources outside of the taxation of its local constituency, politicians are more likely to spend revenue on government salaries, allowances, and other recurrent expenditures. Gibson and Hoffman (2006) find that non-tax based income from federal government transfers and foreign aid are particularly linked to salary expenditures. Evidence suggests African elected officials are more willing to utilize tax revenue to cater to public interests. However the converse argument also holds: politicians are more likely to spend non-tax income on themselves.

Guyer (1991: 14) characterizes the effects of limited taxation on the representation of local interests in Nigeria:

“With such low contributions in rural Nigeria, financial management becomes a poor basis for people’s demands for accountability...with no policy-making about, or financial instruments for, local development of locally defined projects within the government system, the extension of national plans to local area becomes an act of fate whose financing bears no relation to the population affected by them.”

More recently, using Afrobarometer and Demographic and Health survey data, Berger (2009) finds that Nigerian local governments areas (LGAs) that were forced to collect taxes during the British colonial period generated stronger institutional capacity. This still manifests today in the form of effective bureaucracies. Furthermore, citizens in LGAs with a historically robust tax extractive capacity also perceive public service delivery as more effective and more satisfactory when compared to their counterparts in non-tax dependent areas.

Lieberman (2003) and Timmons (2005) explore how relationships between upper and lower income groups influence compliance with the tax contract. Applying this model to Brazil and South Africa, Lieberman (2003) argues that tax policy involves the redistribution of private wealth. When upper-income groups feel a sense of shared identity with lower-income individuals in society, they will be more compliant with this contract. Lieberman (2003) asserts that this is what happened in South Africa. South African leaders used race to bridge class differences between affluent and underprivileged whites. Conversely, when there is fragmentation in political community, and upper-income groups feel divided from other citizens, they will be less acquiescent in tax payment. Again, Lieberman (2003) argues that in Brazil, hyper-regionalism created polarization and fragmentation within and between income classes.

On the other hand, Timmons (2005) argues that there is an inherent divergence between upper-income and lower-income group preferences. Acemoglu and Robinson (2005) support Timmons' (2005) assertion, arguing, "individuals have well-defined preferences...[which are] inherently conflictual." According to Timmons (2005), upper-income groups prefer policies that provide the protection of property rights. However, lower-income groups prefer government provision of basic public services, such as health care and social welfare spending.³ Thus, "if a state begins taxing a group it has strong incentives to provide that group with benefits to maintain that source of revenue" (Timmons, 2005: 531). However, "if a state is not taxing a group for some reason, it has no incentive to cater to that group" (Timmons, 2005: 531). Therefore, instead of political leaders acting as arbiters between upper-income and lower-income groups (as Lieberman suggests), Timmons (2005: 562) finds "no evidence that governments gouge the rich to benefit the poor (or vice versa)." His analysis of 90 countries determines that

³ Again, Acemoglu and Robinson (2005) corroborate Timmons (2005) assertion, claiming poorer citizens prefer high taxes and redistribution in the form of social spending.

when tax revenue is primarily derived from corporate taxes, the government is more likely to engage in the protection of property rights. Conversely, when tax income originates from regressive taxes, government will engage in higher social spending. In these cases, representation manifests through a translation of public needs into public policy (e.g. either property rights protection or public service provision). Timmons (2005) shows that representation results from government extraction of tax income from their citizenry. Moreover, the composition of the group(s) that the government primarily taxes (either upper-income or lower-income) will also determine the type of policy that politicians will execute. Timmons (2005) further demonstrates that it is possible to gauge representation of a particular group through congruence between citizen demands and public policy.

Bates and Humphreys (2005) also consider the circumstances under which government is likely to expend resources to provide citizens with public goods: “Subgroups of citizens are [considered to be] decisive in the sense that they can ensure the government’s tenure in office” (Bates and Humphreys, 2005: 409). Furthermore, Bates and Humphreys (2005) discuss a game that occurs between politicians and the "decisive" group. Depending on the nature of this group and their demands, government is more likely to provide services to these citizens rather than diverting resources for themselves. This work demonstrates how resource distribution is used to ensure political tenure. Elites provide services and benefits to decisive groups of citizens as a primary method for maintaining political loyalty.

Scholars also investigate the link between taxation, government capacity to provide services, and democracy. Ross (2004) performs a cross-national study to examine if the need for revenue (and taxation) results in democratization. He demonstrates that citizens have preferences concerning rates of taxation and how government spends these funds. Furthermore,

citizens think of taxes in the context of the benefits and goods they receive: “When the price of government services goes up, authoritarian regimes tend to become—or are forced to become—more accountable to their citizens,” resulting in democratic practice (Ross, 2004: 247).

Bratton and Chang (2006: 1061) explore the relationship between state building and democratization, finding that “[they] are best viewed neither as occurring forwards or backwards but rather reciprocally or together.” When citizens view government as capable of solving pertinent problems, looking after citizens’ interests, and providing fundamental services, they are also more likely to perceive higher levels of democracy. Government provision of necessary goods and resources remains pertinent to both representation and the development of democracy.

This previous work suggests that the mode of public revenue generation, particularly government’s capacity (or incapacity) to extract tax-based income from citizens, is a significant predictor of politics in Africa, and more specifically in Nigeria. Specifically, the source of government income influences if and how politicians address citizens’ interests and public service provision.

The next section discusses natural resource wealth as an alternative to tax income, and its influence on political behavior in Africa.

Natural Resource Wealth and Representation in Africa

The concept of a “natural resource curse,” also known as the “oil or mineral curse,” originates in studies of democratization in the Middle East. The dilemma arises in countries that are endowed with substantial resource deposits and derive a significant portion of revenue from the sale of these commodities. These resources include, but are not limited to, petroleum and

other fuels, metal ores, diamonds and precious stones. In his most recent work, Ross (2012: 5) outlines four characteristics of natural resource revenue that make it particularly distinctive from other forms of government income: “their scale, source, stability, and secrecy.” These qualities interact and result in politics and economics peculiar to these resource-rich countries.

Ross (2012: 5) argues that the scale of natural resource wealth is massive, providing governments access to an immense amount of revenue: “On average, the governments of oil-producing countries are almost 50 percent larger (as a fraction of their country’s economy) than the governments of non-oil countries.” Circumstances following recent discoveries of petroleum in Asia and Africa corroborate this argument. For example, between 2001 and 2009, in Azerbaijan, total government expenditures rose by 600% while in Equatorial Guinea, they rose by 800% (Ross, 2012: 5). The source of this large income is also salient. These countries rely on resource wealth and not taxes on their citizens. As a result, “they become less susceptible to public pressure” (Ross, 2012: 5). Governments in resource-dependent countries are no longer constrained by their citizens, which funding via taxes would engender. The stability “or rather the instability” of oil revenues is also particular to this form of government income: “The volatility of world oil prices, and the rise and fall of a country’s reserves, can produce large fluctuations in a government’s finances” (Ross, 2012: 6). Reliance on revenue derived from an unstable source often results in poor planning and management and squandering of resource wealth. The last characteristic peculiar to this form of income is the secrecy attached to natural resource revenues. According to Ross (2012: 6), “governments often collude with international oil companies to conceal their transactions, and use their own national oil companies to hide both revenues and expenditures.” Furthermore, this secrecy accounts for why natural resource income is squandered or channeled through corrupt channels. The scale, source, stability, and secrecy of

natural resource wealth ultimately influences politics in these dependent countries in a way different from those relying on other forms of income.

One mechanism used to explain how the “curse” hinders democracy is the “rentier” state. In a “rentier” state, government is able to fund public activities through profits from the sale of natural resources and taxes on corporations involved in resource production. Since elites can fund themselves with rents paid by foreign companies, political leaders can bypass domestic, public interests. This ultimately diminishes elites’ incentive to represent their constituents (Beblawi and Luciani, 1987; Ross, 2001, 2004, 2012). Researchers explore the “natural resource curse,” hypothesizing that a country’s dependence on resource wealth is associated with non-democratic regimes, reduction in political competition, decline in the quality of governance, civil war and disorder, weak political institutions, and declines in economic growth and development. A body of work, based on large-N, statistical analyses and small-N/case studies has emerged to investigate these hypotheses (Beblawi, 1987; Karl, 1997; Collier and Hoeffler, 1998/2004; Wantchekon, 1999; Ross, 2001/2004/2006/2012; Welden, 2001; Lam and Wantchekon, 1999; Fearon and Laitin, 2003; Jensen and Wantchekon, 2004; Humphreys, 2005; Lujala et al., 2005; Snyder and Bhavnani, 2005; Jones-Luong and Weinthal, 2006; Dunning, 2008; Goldberg, et al, 2008; Lujala, 2010; Bodea, 2012).

Ross (2001) investigates the validity of the “oil-impedes-democracy” claim, performing statistical analyses of 140 countries across 25 years. He demonstrates that reliance on profits from natural gas, coal, and precious stones is negatively associated with democratization, and furthermore this is not concentrated to any particular geographic location. After uncovering the validity of this effect, Ross (2001) attempts to uncover the underlying mechanisms. He finds that resource-dependent governments tax their citizens less, consume more, and have higher

levels of military spending, which all work to curb popular demand for democracy. Similarly Wantchekon (2002) uses a small-N case comparison (Norway, Botswana, Nigeria) and large-N analysis of 120 countries to investigate the relationship between oil wealth and autocracy. He finds that natural resource wealth sustains authoritarian regimes through the lack of transparent budgeting processes and incumbents' use political repression to crush their opposition.

Resource dependence is also associated with low quality of governance and weak political institutions (Karl, 1997; Lam and Wantchekon, 1999; Jones Luong and Weinthal, 2006; Welden, 2001; Wantchekon, 2002). For example, Karl (1997: 7) argues that "dependence on a particular export commodity shapes not only social classes and regime types...but also the very institutions of the state, the framework for decision-making, and the decision calculus of policymakers." In her case study of institutional development in Venezuela, Karl (1997) finds that wealth from oil created vested interests, sustained the status quo, and barred opposition to the agreements created between political elites. At the time of democratic transition in 1958, the two dominant political parties (Accion Democratica and COPEI) bargained and compromised, resulting in a pacted form of democracy. This elite political settlement expanded the role of the state, enforced patterns of patronage distribution, and maintained the status quo through policy rigidity (Karl, 1997: 93). As a result, the state remained large, rent-seeking, and interventionist, while military spending increased without any sort of civilian check. In Venezuela, reliance on petroleum facilitated the development of a group that profited from the system of revenue flows, which was reinforced through the institutional framework.

Karl's (1997: 101) analysis of petro-politics in Venezuela demonstrates how petroleum resources influenced the protection of the status quo, allowing for the maintenance of a large and centralized "interventionist state and oil-led development." This essentially limited the scope of

elite institutional choice at the time of democratic transition. On the other hand, this focus on elite interaction distracts attention from the relations between the state elites and citizens. We are unsure how petroleum dependence influences the relationship between the political leadership and citizens, the realization of citizens' interests, and policy outcomes (Bratton and van de Walle, 1997; Tripp, 1997).

Jones Luong and Weinthal (2006/2010) also challenge Karl's (1997) state-centered focus. They argue that variation in ownership over natural resource development influences the development of fiscal and regulatory institutions. Following an examination of the Russian Federation, Kazakhstan, Uzbekistan, and Azerbaijan, the authors differentiate between state ownership with control, state ownership without control, private domestic ownership, and private foreign ownership, finding that:

“strong fiscal and regulatory institutions are more likely to emerge under private domestic ownership because it creates a set of actors who have a mutual interest in establishing formal guarantees to increase fiscal predictability and reduce transaction and monitoring costs” (Jones Luong and Weinthal, 2006: 242).

Therefore, Jones Luong and Weinthal (2006/2010) argue that the structure of ownership can serve as an intervening variable between resource wealth and weak political institutions. Although they propose the new variable of resource ownership, which can also account for the resource curse, this explanation is not widely applicable in the developing world. For example, by Jones Luong and Weinthal's (2006) own admission “in most developing countries, petroleum resources are managed through state oil companies.” Thus, it is difficult to expand Jones Luong and Weinthal's (2006/2010) model to other developing contexts also dealing with the resource curse. Even though they are critical of Karl's (1997) argument, it seems the Venezuelan model reflects the reality of the prevalence of state ownership of natural resource development.

Natural resource wealth has also been cited as a barrier to political order, thus increasing the likelihood of civil conflict. While wealth from oil has been identified as a contributor to the start of civil war, wealth from precious stones do not increase the chances of conflict, but rather can sustain a war that has begun (Collier and Hoefeller, 1998/2004; Fearon and Laitin, 2003; Ross 2004; Humphreys, 2005). Snyder and Bhavnani (2005) argue that natural resources, to the extent that they are not taxable, decrease institutional capacity and increase chances of regime breakdown. Creating a typology, they compare a resource's lootability (the ease with which the resource can be extracted) with a government's ability to tax production (do corporations or individuals engage in resource extraction?).⁴ Snyder and Bhavnani (2005) determine that in Sierra Leone, diamonds have high lootability (low costs of extraction. Furthermore, since individuals are more likely to engage in diamond extraction, government's ability to tax the individual artisans is low. In this case, natural resources create a high risk for conflict. On the other hand, management of bauxite resources in Ghana creates a low risk of conflict. Bauxite has low lootability because of the high cost to extract the resource. Moreover, because corporations are primarily involved in the bauxite industry, the ability to tax them is high. We see that generally, research conforms negative effects of resource dependence of democracy, institutional capacity, and political order.

With that said, more recent work argues that in certain circumstances, natural resources can encourage democratization. For example, Dunning (2008) uses comparative case studies in Latin America (Venezuela, Chile, Bolivia, Ecuador) to criticize the dominant "oil-impedes-democracy" argument. He finds that in a situation where transition to democracy is initiated by a

⁴ Snyder and Bhavnani (2005) argue that it is easier for governments to track and tax corporations than individuals.

rift between political elites (hard-liners vs. soft-liners, O'Donnell and Schmitter, 1986), resource rents provide a source of public spending other than redistribution from rich to poor. This helps to reduce the economic cost of democracy, abating elite incentive to block or reverse democratization efforts: "In a phrase, resource rents can underwrite democratic stability by reducing polarization over economic policy and particularly over redistributive tax policy" (Dunning, 2008:55).

Morrisson (2009) also explores the stabilizing effects of non-tax revenue on regimes. He argues that "threats to [the stability of] democracies come from wealthy elites, whereas threats to dictatorships come from citizens" (Morrisson, 2009: 122). Analyzing 118 countries between 1973 and 2001, Morrisson (2009) finds that leaders in both democracies and autocracies use non-tax revenue to stabilize their regime. In democracies, non-tax income is used to lower the tax rate on wealthy elites. And in dictatorships, non-tax revenue is used to increase social spending on poorer citizens.

While Dunning (2008) and Morrisson (2009) encourage us to consider conditions under which, counter-intuitively, oil wealth can spur democracy, their arguments may not be applicable across contexts. For example, Bratton and van de Walle (1997) reveal that in Africa, due to the heritage of neo-patrimonialism, the mass public drives regime change over conflicts about accessing spoils of the state patronage network. Unlike Dunning's (2008) assumption, elite behavior is not always the initiating factor in democratization. Moreover, Morrisson's (2009) argument ignores the role of patronage systems in the distribution of resources between political elites and citizens. Rather than using natural resource income for social spending, I argue that leaders in these neopatrimonial regimes are more likely to divert these funds for self-enrichment and maintenance of their patronage networks. Thus, when considering the role of natural

resource wealth in African politics, popular access to patronage systems and the way in which elites sustain those networks must be considered.

Following these critical works, I argue that more work is needed to uncover the mechanisms of *how* oil wealth would undermine democratic practice. Herb (2003/2005) suggests:

“In the literature on rentier states we find a good deal of theorizing about why the absence of taxation prevents democracy: what is needed is a convincing account of how taxation leads to democracy in modern states that tax.”

This dissertation aims to address this gap. Previous research performs the important preliminary task of unearthing the association between resource wealth and a non-democracy. We know there is a link between low tax extraction (resulting from resource dependence) and survival of non-democratic regimes. However, it is not enough to demonstrate that natural resources have an “anti-democratic” effect. This investigation aims to uncover the mechanism that allows for resource dependence to translate into a lack of democratic practice. In unpacking this relationship, I hypothesize that when governments have a strong capacity to extract taxes, political leaders will use the public agenda to address popular preferences. Taxation leads to representation, which is inherent in democratic practice.⁵

⁵ Scholars have also explored the endogenous nature of this relationship, investigating whether democracies or dictatorships are more effective in tax collection (Bueno de Mesquita et al, 2003; Cheibub, 1998; Coughlin et al, 1990; Fjeldstad, 2001; Haggard, 1990; Kasara, 2007; Levi, 1988; Meltzer and Richard, 1981; Olsen, 1993; Rakner, 2002; Ross, 2004; Weinstein, 2009). Haggard (1990), Olsen (1993), Bueno de Mesquita et al (2003), and Kasara (2007) assert that political competition will *reduce* government’s incentive and capacity to raise tax revenue. In democracies, politicians must cater to voters who prefer to maximize their income and reduce they’re tax burden. As a result, they will utilize low tax rates in order secure re-election. On the other hand, since dictators are relatively autonomous from social pressures, they can maintain high tax rates to extract the largest possible revenue from the private economy. Moreover, dictators can ensure tax compliance via use of the police or military for coercion. However, Meltzer and Richard (1981), Levi (1988), and Cheibub (1998) find that, in fact, democracies are

Analytical Focus of Study

Thus, I reiterate the central research question of this study: in sub-Saharan Africa, under what conditions are elected officials most likely to represent their constituents? This larger question breaks down to several component parts: *What do elected officials think their job is? How do these officials understand their relationship to constituents? Do these perceptions of their responsibilities vary subnationally? How do elite expectations of job responsibilities compare with citizens' notions? How does source of government revenue influence elite representation?*

I hypothesize that in governments where a higher portion of income is derived from the taxation of citizens, elected officials provide a greater level of representation to their constituents' priorities and interests. These officials will be more likely to expend public resources on addressing citizens' policy concerns via public service delivery. Moreover, where leaders rely on taxation, they will be more likely to prioritize citizen policy interests. On the other hand, when a higher portion of government income is derived from natural resource wealth, political elites will be less likely to represent citizens. Officials in these resource-dependent contexts are less likely to spend public funds on policies benefitting their constituents or prioritize citizens' interests.

I expect that when tax extraction and capacity are greater, government is more likely to prioritize constituents' interests because it is more reliant on citizens to fund public policies. In

able to collect taxes at higher levels than dictatorships. In democracies, politicians have an incentive to expand government size. Thus, they will increase tax rates in order to satisfy voters' preferences for redistribution. Furthermore, representative institutions (more so than coercion) reduce tax evasion by increasing "the monitoring of both rulers and taxpayers, promoting cooperative arrangements among relevant actors, and permitting the establishment of realistic and accepted sanctions for non-compliance" (Levi 1988, 179).

order ensure that citizens make tax payments and comply with the fiscal contract, elected official will align their policy priorities and public expenditures with their constituents (Bates and Lien, 1985; Levi, 1988). However, the reverse relationship also holds: dependence on natural resource revenue allows elected officials to carry out policy without fiscal reliance on their constituents. In this case, politicians are not constrained by citizens and do not defer to citizens' interests. This ultimately results in a government less representative of its people.

CHAPTER TWO

Democracy, Governance, and Revenue Generation in Contemporary Nigeria

Background

After considering theoretical relationships between taxation, representation, and natural resource dependence, I now investigate how these three variables have interacted in Nigeria.

Neopatrimonialism, the fusion of patronage systems and bureaucracy, has pervaded Nigeria's political institutions since the time of independence. This regime form ultimately influences how the tiers of government interact with one another and how government interacts with citizens. Nigeria's political leadership, through cycles of civilian and military government, has prioritized gaining access to revenue in order to distribute resources via patronage systems. As a result, elites' desire to access the primary mode of revenue generation motivated political choices to centralize power in the national government or disperse authority through the federal system.⁶ Thus, leaders of Nigeria's (current) Fourth Republic find themselves attempting to balance political and fiscal authority in a newly reestablished democratic, federal regime.

This chapter begins with a discussion of how the political leadership's attempts to extract revenue and control the dominant means of economic productivity influenced the breakdown and success of democratic governance and federalism in Nigeria. Second, using Nigerian legislatures as examples, I outline how, over time, elites have dispersed political authority to govern

⁶ According to Ogban-Iyam (1998): "Federalism is a system of political organization uniting separate states or other units in such a way as to allow each to remain a political entity. A federal system differs from other methods of organizing states in being based on a contractual agreement by the separate governments to share power among themselves."

throughout the national, state, and local levels of government. Finally, moving beyond political federalism, I examine fiscal federalism in Nigeria. Here I consider how natural resource revenue is accrued and distributed among the three levels of government. I also assess constitutional powers of taxation and national, state, and local governments' tax jurisdictions. Ultimately, this chapter provides an overview of Nigeria's political and fiscal contexts, allowing us to understand how, historically, access to various forms of revenue has motivated politics in Nigeria. With this knowledge, we can then consider the tools of revenue extraction available at different levels of government in the contemporary era. This provides a foundation for later analyses of subnational variation in tax capacity and the influence on political representation.

Neopatrimonialism, Federalism, and Citizen-Elite Relations in Nigeria: An Historical Overview

According to Bratton and van de Walle's (1997) seminal work, neopatrimonialism, the incorporation of patrimonial logic and traditional, informal authority into bureaucratic institutions, is a "hallmark" of African politics. Three key features delineate neopatrimonial regimes. First, there is a concentration of political power in one individual. This presidentialism is fueled by a cult of personality, ensuring the leader's political longevity, but weakening other institutions. Second, neopatrimonial regimes engage in clientelism, where personal favors, jobs, and resources are awarded in exchange for political support. Last, neopatrimonial regimes are characterized by the leadership's private use of state resources for political legitimation. In fact, there is little distinction between public and private coffers. These three qualities interact to undermine formal rules and institutions.

Since Nigeria's independence in 1960, the country has undergone both civilian government and military dictatorship. However, a neopatrimonial mode of administration serves as a

common thread linking 50 years of governance. During this time, the political regime has been defined and altered by political elites' attempts to gain access to revenue in order to sustain patronage systems. Public funds have repeatedly been used to reinforce political dominance. Therefore, particularly in Nigeria, "the political process is structured around distributional contention and the capture of rents [e.g. government contracts, business deals, appointments to state enterprises/ministries, illicit payments] rather than mechanisms of representation" (Lewis, 2009).

Sustaining Neopatrimonialism in Nigeria's First Republic

In Nigeria's First Republic (1960 – 1966), power over the dominant mode of economic development was held subnationally. These leaders were able to translate financial power into political gain, expanding subnational influence in such a way that the federal system and national sovereignty were eventually challenged.

During this time, Nigeria utilized a federal parliamentary system comprised of a central government and four (sub-national) regional governments.⁷ Though both levels of government held executive, legislative, and judicial authority, fiscal power was concentrated at the regional level through the institution of the marketing board. Marketing boards were left over from British colonial administration. Created during World War II (in times of economic crisis), these organizations were charged with regulation of the agricultural industry. They were intended to use whatever funds they accumulated for the benefit of farming communities. At the time, agriculture represented the primary economic activity in Africa, generating large amounts of

⁷ Four regions made up Nigeria's sub-national system: Northern, Eastern, Western, Mid-Western. The First Republic's national and regional political structures are discussed in greater detail later on, during the Legislatures and Government Revenue in Nigeria: Resurgence of Political and Fiscal Federalism.

foreign exchange. Thus, these organizations became wealthy and influential. Marketing boards also became a tool for regional politicians in need of revenue. Politicians would often divert funds from these marketing boards into the public treasury (Bates, 1981: 12 – 13). Regional leaders would go on to use revenue generated by marketing boards to fund patronage networks and garner political support. This was achieved through “disburs[ing] loans, development funds, and licenses in exchange for votes and kickbacks” (Welden, 2001). For example, in Western Nigeria “persons in charge of development agencies used their powers transfer funds into banks and corporations in which they held directorships [instead of toward agricultural subsidies],” using the funds to award themselves large, interest-free loans (Bates, 1981: 100). Regional politicians used financial influence to gain political leverage.

The concentration of fiscal and political influence at the regional level resulted in repeated challenges to the Nigeria’s central authority. According to Suberu (2004: 331): “The regions enjoyed the loyalty of their respective major ethnic communities [and] commanded relatively substantial constitutional power and financial resources.”⁸ Moreover, “although the federal government acquired more prestige and influence in relation to the regions,” it was clear that the federation’s more talented politicians and bureaucrats remained at the regional level (Suberu, 2004: 331). Regional fiscal autonomy and political power contributed to the outbreak of Nigeria’s Biafran Civil War (1967 – 1970), an attempt by the Igbo dominated Eastern Region to secede from the federation. Conflict brought an end to the First Republic, as military leaders

⁸ In Nigeria, “demographically the Northern Region was predominantly Muslim, with an ethnic Hausa-Fulani majority; the Western Region, mainly Yoruba, was roughly balanced among Muslims and Christians; the Eastern Region was predominantly Igbo and overwhelmingly Christian” (Lewis. 2011: 3).

from the Eastern and Northern Regions launched coups and counter-coups, either in support of or in opposition to the secession attempt (Ihonvbere and Shaw, 1998).

The Eastern Region was unsuccessful in its challenge. Following the civil war, the military government moved to minimize regional authority. Scrapping the regional system, Nigeria expanded from 4 regions to 19 states.⁹ The military government also paid particular attention to states' fiscal independence. In an effort to minimize future secession attempts in the regions, the military moved control of the marketing boards to the central government (Diamond, 1988; Ihonvbere and Shaw, 1998). First, the power of individual sub-national entities to tax was suspended. Furthermore, unlike in the First Republic, the national government now held control over the sector leading economic development: the petroleum sector. As Nigeria "rode the crest of a bounteous petroleum boom" in the 1970s, the rules of oil revenue allocation were amended so that the national government took the bulk of these earnings (Lewis, 1996: 81). Like regional leaders (who used revenue from marketing boards to sustain their patronage networks), national political elites also relied on petroleum income to fund the neopatrimonial regime. During the Gowon/Mohammed/Obasanjo military governments (1966 – 1979), "the rapid influx of cash fostered a dramatic increase in corruption," where 90% of the budget was used to fund inflated military salaries and political appointments to the civil service (Lewis, 1996: 81). This "result[ed] in an untrained, undereducated bureaucracy whose primary function was to support the patron that granted the position and [their] secondary function was personal enrichment (Welden, 2001: 70 – 71).

⁹ 19 states in the Second Republic: Anambra, Bauchi, Bendel, Benue, Borno, Cross River, Gongola, Imo, Kaduna, Kano, Kwara, Lagos, Niger, Ogun, Ondo, Oyo, Plateau, Rivers, Sokoto.

Neopatrimonialism and Democratic Breakdown in Nigeria's Second Republic

After the military stepped aside, Nigeria returned to civilian rule in the Second Republic (1979 – 1983). However, gaining access to revenue to fund patronage networks remained the political priority. Early on in the Second Republic, “even more than in the First Republic, government office was an opportunity for the enrichment of oneself and one’s supporter...not only was all the wealth of the country in the hands of the [central government], but also it had increased ten-fold” (Watts and Lubeck, 1983: 109). Scholars estimate that 60% of GDP was used as patronage. Moreover, access to national oil revenues increased “financial dependency of the states (and their localities) on the center [and the] consolidation of central political authority” (Suberu, 2004: 334).

However, by 1982, revenues accruing to the national government declined as a result of a drop in international petroleum prices. This coupled with a growing foreign debt fostered a climate of economic decline. As a result, “patrons could no longer support broad client bases, and concentrated instead on enriching themselves” (Lewis, 1997: 305). Since the funding of patronage networks was now concentrated at the national level, a drop in central government revenue damaged politicians’ ability to maintain political power via clientelist networks.

After uncovering evidence of this self-enrichment among civilian politicians, Major-General Muhammadu Buhari led the military take-over of December 1983 (Welden, 2001).¹⁰ Between 1983 and 1998, the military (under Generals Ibrahim Babangida and Sani Abacha) embarked on a series of changes, which shifted Nigeria from “prebendalism, [or] decentralized patrimonial rule, to predation, [that is] the consolidation of avaricious dictatorship” (Lewis, 1997: 80). For example, in an attempt to alleviate popular and elite opposition to economic

¹⁰ The Nigerian military discovered a £22 million kickback to civilian politicians for purchasing eighteen Jaguar ground attack fighters (Williams, 1987; Graf, 1988; Welden, 2001).

reforms, Babangida's government used a series of remunerative policies to distribute patronage to vocal groups. These included the creation of new institutions, such as the Directorates for Food, Roads, and Rural Infrastructure, and various community banks. Economic reform did minimize the amount of government contracts, licenses, and employment, which were traditionally used as patronage at the elite level. However, politicians devised new forms of political patronage, including providing insider investment information and granting special access to nascent markets during the privatization of public assets. Politicians also turned a blind-eye while elite participation in illegal economic activity flourished (e.g. petroleum smuggling, drug trafficking, international commercial fraud). During this time, "financial corruption and the apportionment of privileged access...created private incentives for persons to support the continuation" of the current regime (Reno, 1998: 184).

The "state retreat from citizens reflect[ed] the extent to which [the ruling elite] relied on extensive personal networks, rather than effective institutions" (Reno, 1998: 153). In particular, during General Abacha's military government, there was no attempt to develop institutional capacity to provide public social services. Instead Abacha opted to sustain his patronage network through a "highly visible and extremely wealthy military-political class." Using contract awards within the petroleum industry, some of which the General negotiated himself, it is estimated that \$12 billion in patronage was distributed over a 6-year span (Reno, 1998: 198; Welden, 2001: 81).

National government access to oil revenues has been the key to centralization of clientelistic control at the cost of developing institutional capacity to govern. Furthermore:

"\$5 to \$10 billion a year in oil profits is controlled by a small group at the top and distributed through patronage. To collect this income, the government need do nothing for the people or for the domestic economy. It needn't build roads, maintain infrastructure, or build schools. It needn't account for its spending nor discuss with representatives of the

people how funds should be distributed. It need to nothing except protect its partnerships in oil production because this is where income is derived, not from taxing the domestic economy” (Welden, 2001: 87).

Political Federalism and Devolution of Power in Nigeria’s Fourth Republic

Following General Abacha’s death in 1998, Nigeria returned to civilian government, and since “federalism has been long recognized as the indispensable basis for Nigeria’s stability and survival,” it was not surprising that the federal structure reemerged (Suberu, 2004: 328)¹¹. In theory, a federal system would minimize regional and ethnic conflict by allowing subnational units the ability to govern themselves. At the same time, a federal structure would maintain overall stability in Nigeria’s national structure. However, “the oil-centric political economy,” encouraged by years of “hypercentralized military rule,” has created tension in Nigerian politics and institutions in the post-military era (Suberu, 2004: 329).

Subnational entities have repeatedly demanded the decentralization of political authority and access to fiscal resources. For example, Nigerian governors in Southern states have called for “true federalism,” localized control of resources, and state-led economic development. This includes the decentralization of the national police force into state police units, increasing the portion of oil income allocated to state and local governments, regional authority of natural resources, and local control of public service provision (e.g. education, public housing, and agriculture). However, this Southern demand for true federalism has prompted opposition not only from the central government, but also from Northern political leaders. In particular, “the landlocked and relatively more economically depressed north depends more heavily on the south

¹¹ Elections for Third Republic “were convened under military rule in 1992, but the civilian government was stillborn after the annulment of the presidential election in June 1993. General Sani Abacha seized power in late 1993, and civilian rule was deferred until Abacha’s death in 1998 opened the door to a new political transition” (Lewis, 2011: 5).

and the present system of centralized, distributive federalism” (Suberu, 2004: 341). Thus, in Nigeria’s (contemporary) Fourth Republic, national and state governments are continually renegotiating the balance between national authority and decentralization of power.

It is important to note that devolution of political authority has been accompanied by a shift in the way the political elites interact with ordinary citizens. Under neopatrimonial forms of rule, scholars argue that citizens also participate in and expect clientelistic behaviors and seek individualized benefits from elected officials (van de Walle, 2001; Lindberg 2006; Wantchekon, 2003). Bratton (2009: 16) analyzes using Afrobarometer public opinion data and finds that almost one-fifth of Africans report making a “side-payment” to obtain documents. Specifically in Nigeria, 27% of respondents admit to “paying a bribe within the last year for water or sanitation.” With that said, recent work also finds that citizens, in fact, prefer the delivery of public goods and services instead of individualized benefits (Young, 2009). In Nigeria, 60% of respondents indicate that “in electing a representative to the National Assembly, [they] prefer to vote for a candidate who can make policies that benefit everyone in [the] country (as opposed to localized, private benefits)” (Afrobarometer, 2008).

As state and local governments emerge as more powerful players in governance and resource allocation, we observe subnational variation in the incentives facing political elites and the way these leaders interact with constituents. In the next section, using Nigeria’s legislatures as an example, I outline this decentralization of political power, revenue sharing, and revenue mobilization in the Fourth Republic.

Emergence of Legislative Autonomy in the National Assembly

As discussed in the previous chapter's theoretical framework, legislatures and legislative activity can serve as an indicator of the condition of affairs in a regime (Fish, 2006). Therefore, in order to explore how federalism has developed in Nigeria, I use the relationship between national, state, and local legislatures as an illustrative example. The following section investigates the devolution of political and jurisdictional power within the federation vis-à-vis the evolution of Nigeria's legislatures.

Though Nigeria's executive branch of government dominated political power during previous periods of civilian government, legislatures have operated in the previous regimes.

In the First Republic (1960 – 1966), four regions (Northern Nigeria, Eastern Nigeria, Western Nigeria, and Mid-Western Nigeria) formed “a federal parliamentary system based on the British Westminster model.” The legislature consisted of a House of Representatives (lower chamber, 312 members) and Senate (upper chamber, 30 members).¹² In the House, seats were distributed through Nigeria's three main regions on the basis of population. The majority party or coalition within parliament selected the executive (president). According to the 1963 Constitution (Chapter 5, Part 4, Clause 69 – 83), the parliament enjoyed the power of law-making with respect to any areas on the Executive Legislative List, which included the following:

¹² According to the 1963 Constitution (Chapter 5, Part 1, Clause 42), twelve senators would be selected from the regions (nominations by the Governor during a joint sitting of the regional legislative bodies), four senators from the federal territory, and four senators selected by the President of the Republic.

- external affairs, diplomacy, implementation of treaties, defense
- currency
- customs and excise
- control of exchange rate
- major communications networks (railways, shipping, post, telegraphs, aviation)
- deportation and extradition, immigration
- higher education (specifically Universities of Ibadan and Lagos—including teaching hospitals, the Nigerian Institution of Social and Economic Research, the Pharmacy School at Yaba, the Forestry School at Ibadan, the Veterinary School at Vom)
- confer titles of honor
- income tax and estate duties
- international trade and commerce
- banking
- electricity or gas
- regulation and administration of trusts, monopolies, and estates
- censorship and regulation of cinematographic films

In the First Republic, the national legislature was not only paralyzed by the politicized, ethnic divisions within the body, but also by a lack of policy expertise. There were only three parliamentary committees, and in each year of the First Republic, legislators served no more than 54 days, deferring the initiation and implementation of laws to the executive branch and regional legislatures (Elaigwu, 2005).

Nigeria's Second Republic (1979 – 1983) abandoned the Westminster model for a set of institutions closer to the U.S. presidential system. The federal system expanded from four regions to 19 states, thereby increasing the membership the National Assembly to 545 (from 342 in the First Republic's Parliament). The legislature retained the House of Representatives (450 seats distributed based on population) and Senate (five from each of the states), elected from single-member districts. Like in the First Republic, the National Assembly's purview with regard to the creation and passing of laws in several areas, now expanded to include:

- national Census
- fingerprints, identification, and criminal records
- regulation of Local Government Councils

- insurance
- maritime shipping and navigation
- meteorology
- regulation of political parties
- weights and measures

According to the 1979 Constitution, legislation could originate in either the House or Senate. However, in order for a bill to pass into law, it had to gain a simple-majority in each chamber. Moreover, the legislature now had the formal power to override an executive (presidential) veto with a two-thirds majority in each chamber. Even with increased legal authority, the Second Republic's legislature was weak in practice. During the Second Republic's four-year lifespan, the legislature only introduced and passed one bill into law; the President initiated all the other legislation (1979 Nigerian Constitution, Chapter 5, Part 1; Second Schedule; Lewis, 2011).

With the reemergence of civilian government in 1999, Nigeria already had a framework for a federal structure of governance in its Fourth Republic.¹³ Nigeria's 1999 Constitution (Chapter 5, Part 1) invests legislative power in the National Assembly. In the Fourth Republic, the number of states increased from 19 in the Second Republic to 36. Thus, the House of Representatives (lower house) consists of 360 members elected from single-member districts (by simple majority). The Senate (upper house) is made up of 109 members (three per state, one from the Federal Capital).¹⁴ The National Assembly holds the power to legislate in the same

¹³ "Elections for the National Assembly in the Third Republic were convened under military rule in 1992, but never had legislative authority" (Lewis, 2011: 5).

¹⁴ 36 states in the Fourth Republic: Abia, Adamawa, Akwa Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe, Zamfara.

areas as in the Second Republic, with additional purview in the following (1999 Nigerian Constitution, Second Schedule, Part 1):

- auditing of accounts within offices, courts, and authorities in the Federation
- arms, ammunitions, explosives
- bankruptcy
- construction and maintenances of Federal truck roads
- copyright, patents, trademarks
- creation of states
- drugs, poisons, quarantine
- fishing and fisheries (not including regulation of inland waters within Nigeria)
- labor (trade unions, industrial relations, safety, pensions)
- legal proceedings between Governments of States or between the Federal Government and any State, authority, or person
- military (army, navy, air force)
- mines and minerals (oil fields, oil mining, geological surveys, natural gas)
- national parks
- nuclear energy
- prisons
- taxation of incomes, profits, and capital gains
- formation, annulment, and dissolution of marriages
- wireless, broadcasting, and television

The National Assembly is constitutionally mandated to sit for at least 188 days out of the year. Moreover, “the finances and qualifications of members [are] to be declared and vetted.” With this brief historical overview, we can see that the “the rights and obligations of the National Assembly [have been] enhanced over preceding governments. (Lewis, 2011: 5)”

In the Fourth Republic, the National Assembly considered over 1,100 bills and resolutions between 1999 and 2010 (Lewis, 2011: 5).¹⁵ Both National Assembly members and the Executive submitted bills for the legislature’s consideration. Roughly 50% of the total bills

¹⁵ “973 bills were submitted to the floor of the House of Representatives between 1999 and 2010, of which 206 were passed. In the Senate 558 bills were introduced to the floor between the same time period, of which roughly one-fifth were passed” (Lewis, 2011: 7; <http://www.nassnig.org/nass2/legislation.php>).

considered by the National Assembly originated from the President; however “executive control of the agenda has steadily declined.” For example, between 2003 and 2007, a total of 333 bills were introduced on the floor of the House of Representatives. Of that, private Members of the House presented 51% (169) of the bills, while 44% (146) came from the executive. And in 2008, private Assembly members sponsored about 80% of new legislation (Lewis, 2011: 7 – 8).¹⁶

The National Assembly is becoming more active in determining the legislative agenda and gaining a stronger voice in Nigerian governance. With that said, unlike in previous Republics, subnational political entities are playing an enhanced role in the development and execution of public policy. Subnational governments have newly attained powers and responsibilities. With this new authority, state and local governments face a path similar to that of the national legislature, attempting to move toward a more influential position in Nigerian politics.

Devolution of Power and Purview to State and Local Governments

Even though political power was concentrated in the national executive during Nigeria’s military and civilian regimes, state and local legislatures did have a role in governance. The extent to which power was delegated to these tiers varied as a result of politicians’ quests to access public revenue. Furthermore, in the Fourth Republic, subnational governments have become more prominent in decision-making. Particularly, state and local governments have begun to use their new political and fiscal authority to enact public policy, rather than depending on a federally led program (Fajingbesi, et al, 2004).

During the First Republic, subnational power was vested in the Region (Northern Nigeria, Eastern Nigeria, Western Nigeria, and Mid-Western Nigeria). According to the 1963

¹⁶ Greater detail about legislative qualifications and production and passing of bills will be discussed in Chapter Four.

Constitution (Chapter 1, Section 5), each region was governed by a regional constitution (which held the force of law throughout that region), an Executive Governor (executive council, executive ministers, a public service commission, and Director of Audit), a high court, and a legislature. Regional legislatures were endowed with the power to make laws “for the peace, order, and good government of that region with respect to matters” not specifically included in the (national) Exclusive Legislative List. Additionally, the Concurrent Legislative List (1963 Nigerian Constitution, The Schedule, Part 2) detailed the areas in which both national and regional legislatures could enact law. This included:

- antiquities
- arms and ammunition
- bankruptcy and insolvency
- census, scientific/industrial research, archives/public records, and statistics
- commercial and industrial monopolies, combines, and trusts
- drugs, poisons, and quarantine (designated by Presidential order)
- fingerprints, identification, and criminal records, prisons
- higher education (other than institutions referred to in the Exclusive Legislative List)
- industrial development, labor, labor conditions, industrial relations, trade unions
- national monuments, parks, and tourism (within a Region and by Presidential order)
- public safety and order (designated by Presidential order)
- execution of civil and criminal processes as dictated by the Regional High Court and other regional courts of law

Regional legislatures were also granted “residual powers,” which were items not mentioned expressly in the constitution. This included primary and secondary education, health, public works, secondary roads, and marketing boards.

In general, regional legislatures “guarded their autonomy jealously,” competing with the central government for political control. Access to a large and steady stream of revenue from the marketing boards allowed regional bodies to increase their political scope. Bates (1981: 14 - 15) provides an example from Nigeria’s Western Region. There, the Action Group and the National Council of Nigerian Citizens (the two dominant political parties) formed a legislative coalition,

intending to consolidate financial power in the regional legislature. Seizing the Commodity Marketing Boards, they oversaw the direct transfer of £34 million from the boards to the Western Region's government's coffers. As the regions became more [financially] autonomous, fragility and insecurity grew in Nigeria's federal structure (Elaigwu, 2005: 60 – 61). This ultimately coalesced in the secession attempt led by the Eastern Regional government and the interruption of civilian government by the military.

With the disaggregation of the four regions in the Second Republic and the creation of 19 states, subnational governments also changed form. The executive structure shifted from that of a Regional Executive to a state Governor (executive council, ministers). Each state's legislative authority was vested in a House of Assembly (1979 Nigerian Constitution, Chapter 1, Part 2; Chapter 5, Part 2). Membership of a state's House of Assembly equaled three times the total number of seats which that state held in the Federal House of Representatives. Members of state Houses of Assembly had authority to form committees and make laws in the same areas as their regional predecessors. Responsibilities also expanded to include:

- electoral law
- electric power
- exhibition of cinematograph films
- industrial, commercial, or agricultural development
- allocation, division, and distribution of public revenue, grants, and loan
- tax collection

Additionally, the 1979 Constitution (Chapter 1, Part 2, Section 7) recognized a new local government system made up of 301 “democratically elected local government councils” (Fajingbesi, et al, 2004: 306). State governments were charged with “ensur[ing] local governments' existence under law, providing for the establishment, structure, composition, finance, and functions of such councils.” The local government's duties included economic

planning and development of the local government area (an administrative constituency predetermined by the state government). Further duties involved:

- collection of rates, radio, and television licenses
 - licensing bicycles, trucks, canoes, wheelbarrows, and carts
 - maintenance of cemeteries, burial grounds, and homes for the destitute and infirm
 - maintenance of markets and motor parks
 - construction and maintenance of roads, streets, drainage, parks as designated by the House of Assembly
 - naming of roads and streets; numbering of houses
 - birth, death, and marriage registration
 - regulation of out-door advertising, movement and keeping of pets, shops and kiosks, restaurants, and laundries
 - provision and maintenance of primary education and health services
 - development of agricultural and non-mineral natural resources
- (1979 Nigerian Constitution, Fourth Schedule)

In the Second Republic, conflicts over state autonomy continued to define Nigerian federalism, especially when it came to the creation and operation of local government councils. “Federal sources within the [national] Executive and National Assembly had publically contended that state governments had no right to create additional local governments,” especially since the Federal Constitution already named and delineated the local government areas. On the other hand, state governments believed that since they were given authority to “provide for the establishment structure, composition, finance, and functions” of local government councils, they inherently had the right to create, merge, and dissolve local government councils as they saw fit (Elaigwu, 2005: 161).

However, similar to the First Republic, the major source of conflict between the federal and state governments stemmed from finance. In the First Republic, agriculture was the major source of Nigeria’s revenue. Regional Governments regulated this sector via control of the marketing boards. But in the Second Republic, the national government came to dominate the major engine for income generation: the oil sector. The 1969 Petroleum Decree established that

“all royalties, rents, and other revenues derived from or relating to exploration, prospecting or searching for petroleum” would accrue directly to the federal government (Ndebbio, 2004: 113). With the oil boom of the 1970s, states demanded a share of oil funds. In reaction to these demands, the Revenue Allocation Act was passed in 1981. This act determined that petroleum income would be shared among the tiers of government in the following manner: 55% to the national government, 32.5% to be distributed among the state governments, and 10% to be divided between local governments (Elaigwu, 2005: 287). As a result, rather than cultivating internal sources of revenue, states grew more dependent on allocations from the national government. “As additional states were created in Nigeria, the tendency towards greater authority at the center became more glaring;” while the number of states increased, the newer entities had a weaker resource base, relying on transfers from the national government for funding. Therefore, the power of the federal center became greater (Elaigwu, 2007: 151- 155). Thus, unlike in the First Republic where the hyper-autonomous nature of regional governments led to secession attempts and the military’s interruption of civilian government, federalism in the Second Republic was characterized by political and fiscal power concentrated in the center. As international petroleum prices dropped in the 1980’s, the national government no longer had the income to sustain the three tiers of government. This, coupled with severe personal enrichment by national politicians, resulted in military intervention in 1982, lasting until 1998.

As previously mentioned, by the time Nigeria reinstituted civilian government (the current Fourth Republic) in 1999, there were 36 states and 774 local government areas.

In addition to the National Assembly, the 1999 Nigerian Constitution establishes a House of Assembly in each of the states and a Local Government Council (LGC) in each Local Government Area (LGA). According to the constitution (Chapter 5, Part 2), “a House of

Assembly of a state shall consist of three or four times the number of seats which that state has in the House of Representatives divided in a way to reflect, as far as possible, nearly equal population...not less than twenty-four and not more than forty members.” The House of Assembly is required to sit for at least 181 days in a year. State legislatures in the Fourth Republic are allowed to form laws in the same areas as their predecessors in the Second Republic, as well as in the following:

- allocation/division of public revenue, grants, and loans
- archives
- collection of taxes (state and local governments)
- trigonometrical, coastal, and topographical surveys

(1999 Nigerian Constitution, Second Schedule, Part 2).

Moreover, they hold residual powers in areas not specifically given to the National Assembly in the constitution.

The Fourth Republic also maintains the system of local governance set up in the 1979 Constitution. LGCs are still charged with the economic planning and development in their jurisdiction. Local councils hold purview in the same areas as their predecessors in the Second Republic. Their duties have also been expanded to include the following:

- control and regulation of bakeries and other places for public sale of food
 - licensing, regulation, and control of the sale of liquor.
 - provision and maintenance of adult and vocational education
- (1999 Nigerian Constitution, Fourth Schedule).

State and local governance is becoming increasingly important to the execution of Nigerian democracy. In fact, they’ve been charged with “the enhancement of representative grassroots democracy...[and also] a mechanism for participatory integration of [ordinary Nigerians] into the fold of democratic governance” (Fajingbesi et al, 2004: 47).

As the federal, state, and local tiers attempt to reorganize and redistribute authority from the highly centralized system handed over by the previous military government, they struggle with boundaries and overlapping jurisdictions. For example, state governments believe the federal tier to be “too sprawling” in its duties and functions. State political leaders argue that development should be driven by the state, not as a national program. On the other hand, the federal tier warns that stripping the central government of too much authority would hearken back to the First Republic period, where national sovereignty was undermined by hyper-regionalism. Last, local governments perceive the state as overbearing, refusing to recognize LGCs as autonomous institutions. State governors have even gone as far as removing democratically elected LGC chairmen as if they are bureaucrats and not independent political actors. However, from the state governments’ perspective, “local governments are the most problematic tier in the federation; they lack executive capacity. They are inexperienced...mistaking autonomy for independence or sovereignty” (Elaigwu, 2005: 320).

These political debates in Nigeria’s political federalism are further compounded by the structure of fiscal federalism, that is the allocation tax authority, revenue mobilization, and expenditure responsibilities across the three levels of government (Ogwumike and Isumonah, 2004: 259). In the next section, I outline Nigeria’s revenue sharing from petroleum and current system taxation, highlighting the current debates and reforms.

Distributing Petroleum Wealth Across the Three Tiers

As previously mentioned, since the 1969 Petroleum Decree all revenues derived from the production, exploration, prospecting, or searching for petroleum would accrue directly to the

federal government, into the federation account. From there, the funds would be distributed between the three levels of government. Nigeria's natural resource income is derived from two sources: crude oil sales and oil taxes.

The Nigerian National Petroleum Corporation (NNPC), representing the government's business interests, has formed partnerships with private petroleum companies to find and produce crude oil. The private oil companies and NNPC (via the federal budget) both finance business operations and share the crude oil that is produced. NNPC then takes the government's share of the crude oil and sells it in domestic and international markets, which, in turn, accounts for a major portion of Nigeria's oil income.

In addition to taking the portion of crude oil produced in the NNPC-private partnerships, the government also imposes taxes on oil producing companies. These oil taxes include royalties (1), the Petroleum Profits Tax (PPT) (2), and rents (3).

First, according to the Federal Ministry of Finance (2010: 11): "in recognition of the [Nigerian] government's sovereign ownership of the crude oil, private companies are required to pay a fee for every barrel of crude oil they produce." These royalty fees (1) average at a rate of about 20% the value of the crude produced. The second type of oil tax is the PPT. According to the Petroleum Profits Tax Act (PPTA) of 2007, all corporations deriving income from petroleum operations (extraction, transportation) are required to pay tax on that revenue. On exports, rate of the tax is 85%, and on domestic sales of oil and gas, the rate is 65.75%. Any profits that are charged the petroleum tax are automatically exempt from the companies income tax. Petroleum companies are given some allowances, including any expenditure on "equipment, pipelines, storage facilities, buildings and drilling costs" (CITN, 2009; JHI, 2009; NIPC, 2009). Last, the

government also charges companies rent for the use of the land from which petroleum is extracted. Rents also include fees for the right to lay pipelines and transport the oil produced. Thus, Nigeria's petroleum income is comprised of NNPC profits from crude oil sales, royalties, the PPT, and rents paid on land utilized for petroleum extraction. These revenues all accrue to the Federation Account, and are then distributed between the national, state, and local tiers.

Between 2007 and 2009, \$70 billion in oil income from the previously discussed sources accrued to the Nigerian government. Of that, 54.8% derived from the sale of crude oil (via NNPC). 28.9% of the total petroleum revenue was derived from the PPT, and 10.5% from royalties (Federal Ministry of Finance, 2010: 28).¹⁷ In 2009 income from crude oil sales continued to increase at a steady rate. On the other hand, revenue from the PPT dropped significantly from 32.5% of oil income to 20.5%. That year saw an increase of income from the sale of natural gas, making up for the drop in other areas.

Over the last 30 years, Nigeria has used various formulas to distribute the income from petroleum between the three levels of government (Table 2.2). Currently (since 2002), 13% of oil revenue goes directly to oil producing states.¹⁸ The remaining 87% is vertically distributed between the three tiers in the following way: 54.68% to the federal government, 24.72% to be

¹⁷ See Table 2.1 for a yearly breakdown. The remaining 5.8% is made up of profits from the sale of natural gas (5.3%) and rents/other oil taxes (0.5%).

¹⁸ This is known as the principle of *derivation*, where “some funds [are] set aside to be shared by the mineral-producing states [so that] the special contributions from these states to the resources of the nation will be recognized” (Elaigwu, 2007: 126).

shared by state governments, and 20.60% share by LGCs¹⁹ (Uche and Uche, 2004; Elaigwu, 2005).

The formula for the distribution of oil revenue among the 36 states (horizontal allocation) has also varied, depending upon different principles through the last 30 years. Currently (as has been the case since 1990, see Table 2.3), revenue sharing occurs based on the following:

- 40% is divided equally between all the states (equality of the states)
- 30% is apportioned based upon state population (more populous states obtain a larger share)
- 10% is divided based on social development need (e.g. education, health, water)
- 10% is divided based on state size (landmass) and terrain (larger states obtain a greater share)
- 10% is distributed based upon a state's internal revenue effort (states generating higher rates of internal revenue earn more; thus, a portion of petroleum income is used as an incentive for state's to increase their capacity to mobilize internally generated tax revenue)

(Oriakhi, 2004, Usman, 2007).

Having an understanding of the sources of petroleum income for Nigerian national, state, and local governments, I now explore that non-oil sources of public revenue.

Nigeria's Tax System: Mobilizing Revenue At Three Levels of Government

As with the National Assembly, the 1999 Nigerian Constitution endows state and local legislatures with the power to raise non-oil revenue via taxes on citizens (Orewa, 1979; Guyer, 1991; Suberu, 2003; Fajingbesi, et al, 2004). Several clauses, taken together, provide the

¹⁹ In the past, a portion of income has gone for the use of "special funds" for the use of economic development (in oil and non-producing states and the federal capital), savings, and environmental protection. However, in 2002, the Nigerian Supreme Court declared allocations to the "special funds" from the federation account as illegal.

constitutional source for federal, state, and local governments' tax authority (Sanni, 2007: 2).

For example:

- **Chapter 1, Part 2, Section 4, Clause 1/Clause 7:** legislative power is vested in the National Assembly and the State Houses of Assembly to make law for the “peace, order, and good government” of the Federation and the States, including tax laws.
- **Chapter 1, Part 2, Section 7, Clause 5:** each House of Assembly is to bestow its LGCs certain functions, including “assessment of privately owned houses or tenements for the purpose of levying rates.”
- **Chapter 2, Section 24, Clause F:** every citizen has the duty to “declares his income honestly to appropriate agencies and pay his tax promptly.”
- **Chapter 4, Section 44, Clause 2:** requires a law for “the imposition or enforcement of any tax, rate, or duty.”
- **Chapter 5, Part 1, Section 59, Clause 1(b):** provides procedures for the passing federal tax legislation.
- **Chapter 5, Part 2, Section 120/Section 163(a):** revenues collected by State Governments from personal income taxes, capital gains taxes, and stamp duties should contribute to part of the Consolidated Revenue Fund.
- **Chapter 6, Part 1, Section 162, Clause 1:** personal income tax paid by members of the Nigeria armed forces, police force, Department of Foreign Affairs, and residents of the Federal Capital Territory will not be paid into the Federation Account.
- **Chapter 6, Part 1, Section 163:** the Federal Government must redistribute its proceeds from personal income taxes, capital gains taxes, and stamp duties to all 36 States based on derivation.
- **Chapter 6, Part 1, Section 165:** each State must compensate the Federal Government for expenditures incurred for collecting taxes on behalf of the State.

According to the Federal Inland Revenue Service, the Nigerian Tax System includes three separate prongs: the Nigerian National Tax Policy, the Nigerian Tax Law, and the Nigerian Tax Administration.²⁰

1. The Nigerian National Tax Policy

The Nigerian National Tax Policy (2011) is a “statement of the government’s approach to taxation, both from the practical [body of laws constituting Nigeria’s tax law] and normative [tax

²⁰ Federal Inland Revenue Service (FIRS) is the agency mandated to administer and manage the national tax regime.

administration] point of view.”²¹ Essentially, this national policy provides a set of guidelines for regulation of the tax system, and serves as a basis from which resultant tax legislation and organization. According to this policy, a tax is defined as “a monetary charge imposed by the Government on persons, entities, transactions or properties to yield revenue.” This is further described as “the enforced proportional contributions from personal property, levied by the State by virtue of its sovereignty for the support of Government and for all public needs” (Federal Ministry of Finance, 2011a).

The policy goes on to outline (Federal Ministry of Finance, 2011b):

- types of taxes that can be levied on individuals, corporations, transactions, and assets.
- role federal, state, and local governments play in tax collection.
- role of the executive, legislative, and judiciary branches as stakeholders in the tax system.
- responsibilities of the tax authorities—FIRS, State Boards of Internal Revenue, Joint Tax Board—with respect to information gathering, registration of taxable persons, filing/processing returns and refunds, payment processing and collection, record keeping and auditing, and rewarding taxpayer compliance/sanctioning non-compliance.
- role of tax consultants, practitioners, and other professional bodies.
- role of taxpayers, “the bedrock of the tax system and the source of all revenue generated by tax authorities,” providing strict and voluntary compliance, registration, and payment (32).
- special arrangements for the purpose of attracting investments.
- fiscal dispute resolution and appeal mechanisms, between federal, state, and local governments; between the Executive, Legislature, and Judiciary; with taxpayers.
- institutionalizing a tax culture in Nigeria, “creating awareness about the central role which taxation can play in National Development...creating a tax conscious citizenry” (55).

²¹ The drafting of the National tax Policy was spearheaded by the Nigerian Federal Ministry of Finance, while receiving input from various stakeholders with both government and the private sector.

2. The Nigerian Tax Law

The Nigerian tax law, as a body, guides the “administration of taxes in federal, state, and local government authorities. The following legislation comprise the bulk of the tax framework:

Federal Inland Revenue Service Establishment (FIRS) Act 2007

While the Ministry of Finance is the primary administrator of tax law at the federal level, they operate via the Federal Inland Revenue Service (FIRS). The FIRS Act charges this autonomous body with the administration of national tax law, investing the “powers to do all such things as may be deemed necessary and expedient for the assessment and collection of taxes due to the Federal Government.” FIRS may sue and be sued, and they are legally sanctioned to “acquire, hold, and dispose of any property taken as security for or in satisfaction of any tax, penalty, or judgment debt” (Sanni, 2007: 3).

Companies Income Tax Act (CITA) 2007

In Nigeria, “once a company is incorporated, it becomes a legal entity and is treated under law as an artificial person, separate and distinct from its shareholders.” Consequently, corporations pay a tax on their yearly profits at a rate of 30%. Each company performs its own self-assessment; however, Nigerian companies are taxed on their worldwide income, while foreign corporations are only assessed on the portion of their revenue attributed to business operations in Nigeria (CITN, 2009: 1). Since companies in the petroleum sector already pay the Petroleum Profits Tax (PPT), they are exempt from the companies income tax.

Education Tax Act 2004

All corporations are also assessed a 2% tax of their revenue, as a “social obligation places on all companies in ensuring they contribute in developing educational facilities in the country (NIPC, 2009: 4). This fund is disbursed in the following manner: 25% to universities; 12.5% to polytechnic schools; 12.5% to the College of Education; 10% to secondary schools; 40% to primary schools (JHI, 2009).

Capital Gains Tax Act 2004

This is a 10% tax on corporations and individuals on all gains from the sale, lease, or transfer of stocks, bonds, real estate, and other investments. However, if the company or individual is a non-Nigerian resident, the tax will only be assessed on the amount received or brought into the country (NIPC, 2009).

Stamp Duties Act 2004

This tax is assessed on documents and transactions, the rate varying by the type of document. When one of the parties is a corporation, FIRS levies the tax; in other circumstances, the tax is paid to the state tax authority (CITN, 2009; NIPC, 2009).

Value Added Tax Act (VAT) 1993/2007

This consumption tax replaces the former sales tax. Those purchasing/consuming goods and services pay 5% of the purchasing price as a tax. VAT is administered by FIRS and collected at the federal level on behalf of the national, state, and local governments. The following goods and services are exempted from the VAT:

- medical and pharmaceutical products

- basic food items
- books and educational materials
- baby products
- fertilizer, locally produced agricultural and veterinary medicine, farming machinery, and farming transportation equipment
- all exports
- plant, machinery and goods imported or purchased for use in Export Processing Zone, Free Trade Zone, or downstream petroleum operations
- tractors, ploughs, agricultural equipment and implements purchased for agricultural services
- medical services
- services by community banks and mortgage institutions
- plays and performances conducted by educational institutions as part of learning
- all exported services

As previously mentioned, all revenue from the VAT accrue directly to the federal VAT pool and are disbursed in the following manner: 15% to national government; 50% to state governments; 35% to local governments (CITN 2009; NIPC, 2009; JHI, 2009; Federal Ministry of Finance, 2010).

Personal Income Tax Act (PITA) 1993/2007

According to this law, every Nigerian employee is supposed to pay tax on his or her aggregate income (salaries, wages, fees, allowances, gains, benefits), derived both within Nigeria and outside the country. In this instance, the taxpayer's residency determines to whom their income tax is paid.²² (See Table 2.4 for the scale on which the personal income tax is levied).

The following are exempt from personal income tax:

- medical or dental expenses incurred by employee
- retirement, gratuities, and compensation for loss of office
- interest on loans for developing an owner-occupied residential house
- rent subsidy/allowance (maximum 150,000 naira per year)

²² Residency is defined as "a place for his domestic use in Nigeria on a relevant day, excluding hotels and rest house. A person is deemed resident in Nigeria [of the country and of the state in question] if he resides for a 183 days in any 12 month period" (NIPC, 2009: 8).

- cost of passage to or from Nigeria incurred by employee (maximum 20,000 naira per year)
- meal subsidy/allowance (5,000 naira per year)
- entertainment allowance (6,000 naira per year)
- leave allowance (10% of annual salary, maximum of 7,500 naira per year)

(JHI, 2009; NIPC, 2009).

These eight regulations constitute the major taxation laws under which Nigeria operates (JHI, 2009).

3. The Nigerian Tax Administration

The Nigerian Tax Administration is made up of the national, state, and local bodies charged with assessing, collecting, and accounting for all forms of taxes in accordance with the law. The organizations involved in managing Nigeria's tax system are the following:

Federal Inland Revenue Service (FIRS)

As previously mention, FIRS is the independent body charged with the administration of taxation at the national level. Specifically, FIRS oversees the following levies:

- Companies Income Tax
- Withholding Tax²³ (corporations, residents of Abuja, and non-Nigerian residents)
- Petroleum Profits Tax
- Value Added Tax
- Education Tax

²³ Certain activities and services are subject to Withholding Tax: during these transactions, the individual making the payment is expected to do deduct the tax at the applicable rate and submit it to the applicable tax authority. The following are activities subject to the Withholding Tax and the rate: rent (10% for corporations and individuals), construction (5% for corporations and individuals), dividends (10% for corporations and individuals), royalties (5% for corporations, 10% for individuals), commission (5% for corporations, 10% for individuals), professional fees (5% for corporations, 10% for individuals), technical fees (5% for corporations, 10% for individuals), consultancy fees (5% for corporations, 10% for individuals) (NIPC, 2009: 6).

- Capital Gains Tax (corporations, residents of Abuja, and non-Nigerian residents)
- Stamp Duties (corporations and residents of Abuja)
- Personal Income Tax (member of the armed forces, members of the Nigerian Police Force, residents of Abuja, staff of the Ministry of Foreign Affairs, and non-Nigerian residents)

(Federal Ministry of Finance, 2011b).

State Internal Revenue Service (SIRS)

Also known as the Board of Internal Revenue, every SIRS organization is mandated with carrying tax policy at the state level.

Specifically, SIRS has jurisdiction over the following taxes within their state:

- Personal Income Tax (Pay As You Earn²⁴ for individuals and Direct Taxation via individuals' self assessment)
- Withholding Tax (individuals)
- Capital Gains Tax (individuals)
- Stamp Duties (documents executed by individuals)
- Pools betting, Lotteries, Gaming, and Casino Taxes
- Road Taxes
- Business Premises Registration Fee (urban areas: 10,000 naira for registration and 5,000 naira per year for renewal; rural areas: 2,000 naira for registration and 1,000 naira per year for renewal)
- Development Levy (individuals: not more than 100 naira per year on all taxable persons)
- Naming of street registration fees in State Capital
- Right of Occupancy fees (land owned by State Government in urban areas)
- Market Taxes and Levies (only where State finance is involved)

(Federal Ministry of Finance, 2011b).

²⁴ The Pay As You Earn (PAYE) system was implemented with PITA 1993. Under Nigerian tax law employers collect tax by deducting it from the salary of employees and then remit directly to the appropriate tax authority (JHI, 2009). The PAYE system is primarily used for civil servants, federal, and state government employees.

Local Government Committees on Revenue Collection

Created in each LGA within a state (under PITA 1993), these committees are given authority to collect the following taxes on behalf of LGSs:

- shops and Kiosks rates
- tenement rates
- liquor License fees
- slaughter slab fees
- marriage, birth, and death registration fees
- nation of street registration fees (excluding streets in State Capital)
- right of occupancy fees (land in rural areas, excluding those already collected by State and Federal governments)
- market taxes and levis (excluding markets where State finance is involved)
- motor park levies
- domestic animal license fees
- bicycle, truck, canoe, wheelbarrow, and cart fees (excluding mechanically propelled trucks)
- cattle tax (payable by cattle farmers only)
- merriment and road closure fees
- radio and television license fees (excluding radio and television transmitters)
- vehicle radio license
- wrong Parking charges
- public convenience, sewage, and refuse disposal fees
- customary burial grounds permit fees
- religious places establishment permit fees
- signboard and advertisement permit fees

(Federal Ministry of Finance, 2011b).

Joint Tax Board (JTB)

Since both federal and state governments have the authority to tax income, “this makes it necessary to have a joint forum for the discussion and resolution of issues arising in the course of [personal income] tax administration” (Sanni, 2007: 5). Established under PITA 1993/2007, the Joint Tax board is mandated to administer the personal income tax. They also provide advice to federal and state governments on methods for improving the management and execution of

income tax assessment, collection, and remuneration. This includes the improvement of information sharing between FIRS and the SIRSs, promoting uniformity in tax administration across Nigeria, issues of double taxation.²⁵ The FIRS chairman chairs the JTB while the directors of each state's SIRS serve as members.

In 2007, the Nigerian Tax Administration, led by the JTB, embarked on a project aimed at overhauling the system of tax collection (and tax payment). They identified several barriers to the expansion of Nigeria's tax regime. The initial problem the JTB isolated was that taxpayers were difficult to identify. With no unified database, there was no method for identification or acquiring information about taxpayers (Omoigui, 2007). Up until that point, FIRS/SIRSs utilized a manual system of tax payment and remittance. This manual processing system resulted in errors. There was no concrete way to determine who made a tax payment. FIRS/SIRSs were also unable to identify the tax for which a collected payment was meant. Furthermore, there was no information about where/when the tax was paid, who received the payment, how much was paid, or the form in which the payment was made. This culminated in the total inability to track the funds (from taxpayer to FIRS/SIRSs). As a result, there were time lapses between tax payment and remittance to FIRS/SIRSs and difficulty in tracking defaulters.

JTB's solution is the automation of tax collection or Project FACT (Friendly, Accurate, Complete, and Timely). This is a joint effort between FIRS and the SIRSs via the Joint Tax Board. Each taxable individual or corporation would register at their local FIRS/SIRS office and receive a taxpayer identification number (TIN). TIN is "basically an electronic system of tax

²⁵ "Nigeria has a several tax treaties referred to as 'double taxation' agreements with a number of countries. This is to ensure that the tax payable to Nigeria on the profits of a Nigerian company being remitted into the country are reduced by the amount of "foreign tax" paid abroad and vice-versa...Some of these countries include the UK, France, The Netherlands, Belgium, Canada, and Pakistan" (NIPC, 2009).

registration, which would be unique to identify taxpayers for life and would be available nationwide” (Omoigui, 2007). They believe TIN will help to eliminate the loopholes created by manual registration in several ways. First, the TIN system would enhance taxpayer identification and registration. This would therefore help to bring more taxpayers into the tax net. With this information, federal and state boards of revenue would be able to coordinate in a more effective fashion. With TIN, tax authorities would be able to access, collate, analyze and retrieve data about taxpayers and their payments with ease. Specifically, tax authorities could ascertain the actual income and tax burden of all registered taxpayers. For example, “multiple taxation” (corporate or individual payment of the same tax more than once to different tax authorities) has been a major challenge for taxpayers and administrators. These entities would know which taxes a given tax payer has already made, thereby reducing confusion. Due to the potential accuracy of the taxpayer database, the system would facilitate a more efficient system of tax assessment and collection, as well as auditing and investigation. Widespread use of the TIN system would reduce leakages in tax collection, eventually working to minimize corruption. Long term, the accuracy in data collection would allow FIRS/SIRSs to monitor taxpayers and authorities, minimizing or eliminating the cost of tax compliance. Ultimately, this would help to engender greater voluntary compliance in tax system (Omoigui, 2007).

In this new system, upon receiving their unique TIN, the taxpayer would perform a self-assessment of the tax payment owed (based on their income and allowances, tax rate determined under PITA 1993/2007). Taxpayers would then remit the tax payment to one of the approved collecting banks (paid directly into the FIRS/SIRS account) and obtain an electronic ticket (e-

ticket).²⁶ Returning to their FIRS/SIRS office, the taxpayer would present the bank e-ticket as their proof of payment. That e-ticket would also serve as an official FIRS/SIRS receipt, evidence of tax payment and compliance to FIRS/SIRS agent.

The payments taxpayers have made to the collecting banks are remitted to four lead banks (United Bank for Africa, First Bank Nigeria Plc., Union Bank of Nigeria, Zenith Bank Plc.), which FIRS/SIRSs deal with directly. There is real-time monitoring of all tax payments. Moreover, online tracking allows for a single view of all tax payments by a taxpayer (viewable by the taxpayer, CBN, Ministry of Finance, FIRS/SIRS).

Through this process, FIRS/SIRSs employees do not have access to any payments or money, curtailing corruption or fraud among tax agents. Thus, as more taxpayers (individual and corporations) obtain their TIN number and participate in the automated tax payment system, tax officials are able to focus on minimizing tax evasion and institutionalizing a culture of tax payment in Nigeria.

Since 2004, FIRS/SIRSs staff have engaged in several capacity building efforts. In 2006, 1,500 unskilled staff members were released from their positions. New employees participate in a “preliminary course for inspectors of taxes.” This 12-week course aims to educate tax inspectors about the new TIN system, the automation of the tax collection system, recent changes in tax policy, and new methods to examine and audit accounts. Returning employees participate in a similar refresher course. Tax inspectors have also been sponsored to attend training

²⁶ The following are participating collecting banks: Access Bank Nig. Plc., Afri Bank Plc., Diamond Bank Plc., Eco Bank Nig. Plc., Equitorial Trust Bank Plc., Fidelity Bank Plc., First Bank Nigeria Plc., First City Monument Bank, First Inland Bank Plc., Guarantee Trust Bank, IBTC Chartered Bank Plc., Intercontinental Bank, Nigeria Transnational Bank, Oceanic Bank Plc., Platinum Habib Bank, Skye Bank Plc., Spring Bank Plc., Sterling Bank Plc., Union Bank of Nigeria, United Bank for Africa, Unity Bank Plc., Wema Bank Plc., Zenith Bank Plc.

programs with various tax collecting agencies overseas. With an increase in capacity and competence, FIRS/SIRSs officials are able to educate ordinary Nigerians about the tax system and compliance. These agencies have also improved their systems for wages, benefits, and compensation. Their “ability to pay improved compensation [will help] to enable the retention and attraction of high caliber employees” (Omoigui, 2007). Furthermore, adequate compensation of staff within the tax administration will reduce incentives to participate in corrupt practices.

Having an understanding of the various methods the national, state, and local governments generate non-oil revenue, we can investigate the nature of their extractive capacity. According to the Central Bank of Nigeria (CBN), non-oil revenue has been growing at all levels of Nigerian government. For example, in 2009, 34% of the federal government’s income was derived from non-oil sources (increasing from 29% in 2008, see Table 2.5). Of the non-oil income in 2009, 85% derived from the company income tax, custom and excise taxes, and the VAT (See Table 2.6).²⁷ In 2009, an average of 15% state governments’ revenue came from internally generated (non-oil) tax revenue (IGR, see Table 2.7). This is contrasted with 69% of revenue derived from federal oil income transfers (federation account, stabilization and excess crude account), 10% from federal VAT transfers, and 7% from grants (private industry and international organizations). In 2009, the majority of LGC revenue was derived from federal and state transfers (52%, see Table 2.8), while 3% came from taxation, 15% from federal VAT transfers, and 32% from grants (private and international organizations).

²⁷ The remaining 15% of non-oil income is derived from budget surpluses from federal ministries’ and agencies’ operations.

Though federal, state, and local governments remain dependent on petroleum revenue, non-oil tax generation is increasing. For example, federal government, non-oil revenue grew from 13% of national income in 2006 to 34% in 2009 (Table 2.5). During the same period, internally generated revenue from non-oil taxation increased from 8% of state governments' revenue to 14% (Table 2.7). At the local level, tax generation is growing at a more modest rate, increasing from 2% to 3% between 2006 and 2009 (Table 2.8).

More importantly, sub-national variation in revenue dependence exists, especially in state governments (Table 2.9). The interaction between access to tax-based and petroleum income results in varied revenue composition across Nigeria (Okoko and Nna, 1997; Fajingbesi, et al, 2004). Between 1999 and 2009, on average, 11% of state governments' revenue came from internally generated citizen taxation; 64% of their revenue was from federal oil transfers (Table 2.9). However, inter-state variation can be observed. For example, between 1999 and 2009, in Lagos State, an average of 53% of total state income was derived from the taxation of citizens (vs. 24% from federal oil transfers). This is compared to Ebonyi State at the other end of the spectrum, where an average of 3% of state income between 1999 and 2009 was generated from non-oil taxes (68% from federal oil transfers). This variation in oil income and tax reliance within Nigeria allows for an investigation into the impact of revenue sources politics.

Chapter Two Tables and Figures

Table 2.1: SOURCES OF FEDERAL GOVERNMENT OIL REVENUE (%)			
	2007	2008	2009
ITEM			
CRUDE OIL SALES	50.8	54.4	59.2
PPT	31.7	32.5	20.5
ROYALTIES	12.3	9.4	10.3
NATURAL GAS SALES	4.5	3.5	8.1
RENTS AND OTHER OIL TAXES	0.7	0.2	1.9

Table 2.2: VERTICAL ALLOCATION OF FEDERATION ACCOUNT, 1981 - PRESENT (%)					
RECIPIENT	1981	1989	1990	1992	CURRENT (FROM May 2002)
FEDERAL GOVERNMENT	55	55	50	48.5	54.68
STATE GOVERNMENTS	30.5	32.5	30	24	24.72
LOCAL GOVERNMENTS	10	10	15	20	20.60
SPECIAL FUNDS	--	2.5	5	7.5	--

Table 2.3: HORIZONTAL ALLOCATION OF FEDERATION ACCOUNT, 1980 - PRESENT (%)			
PRINCIPLE	1980	1989	CURRENT (FROM 1990)
EQUALITY OF STATES	40	40	40
POPULATION	40	30	30
SOCIAL DEVELOPMENT	15	10	10
LANDMASS AND TERRAIN	--	--	10
INTERNAL REVENUE EFFORTS	5	20	10

Table 2.4: CURRENT INCOME TAX RATES	
TAXABLE INCOME (NAIRA)	RATE OF TAX (%)
First 30,000	5
Next 30,000	10
Next 50,000	15
Next 50,000	20
Over 160,000	25

Table 2.5: FEDERAL GOVERNMENT'S REVENUE SUMMARY (% of total budget)				
	2006	2007	2008	2009
ITEM				
OIL REVENUE	87.2	78.1	71	65.9
NON-OIL REVENUE	12.8	21.9	29	34.1

Notes: Oil Revenue = Profits from crude oil and gas exports, domestic crude oil sales, PPT, royalties; Non-Oil Revenue = VAT, CIT, customs/excise duties, surplus from federal ministries' operations.

Recreated from Section 5.2.1, CBN Annual Report & Statement of Accounts for Year Ended 31st December, 2009.

Table 2.6: SOURCES OF FEDERAL GOVERNMENT NON-OIL REVENUE			
	2007	2008	2009
ITEM			
CIT	28.7	33.4	30.1
CUSTOMS/EXCISE TAXES	21.2	26	25.2
VAT	26.5	29.6	29.4
FEDERAL MINISTRIES OPERATION SURPLUSES	23.6	11	15.3

Table 2.7: STATE GOVERNMENTS'REVENUE SUMMARY (% of total budget)				
	2006	2007	2008	2009
ITEM				
IGR	8.1	12.4	13.6	14.8
FEDERATION ACCOUNT	65.8	59.4	51.6	56.1
VAT	7.2	7	7.9	10.1
GRANTS & OTHERS	8.1	10.2	5.5	6.8
STABILIZATION & EXCESS CRUDE	10.8	8.6	22.6	13.4

Notes: IGR = Internally Generated Revenue from citizen taxation, Federation Account and Stabilization/Excess Crude = Petroleum Revenue from Federal Transfers.

Recreated from Table 5.1, CBN Annual Report & Statement of Accounts for Year Ended 31st December, 2009.

Table 2.8: LOCAL GOVERNMENTS' REVENUE (%)				
SUMMARY				
	2006	2007	2008	2009
ITEM				
IGR	1.6	2.6	2.4	3.4
FEDERATION ACCOUNT	81.7	68.3	52.0	49.5
VAT	11.3	12.6	9.8	14.7
STATE GOVT TRANSFER	0.5	0.4	0.2	1.8
GRANTS & OTHERS	3.1	16.2	36.3	31.5

Notes: IGR = Internally Generated Revenue from citizen taxation, Federation Account = Petroleum Revenue from Federal Transfers.

Recreated from Section 5.5.2, CBN Annual Report & Statement of Accounts for Year Ended 31st December, 2009.

Table 2.9: AVERAGE OIL AND TAX DEPENDENCE AMONG THE STATES (1999 - 2009, % OF TOTAL INCOME)*		
STATE	TAXATION	OIL TRANSFERS
LAGOS	53.4	23.5
RIVERS	22.5	63.7
OGUN	19.0	56.5
SOKOTO	17.6	63.6
OYO	16.7	59.1
OSUN	16.4	61.1
DELTA	13.8	62.1
KANO	13.2	56.6
KADUNA	12.9	59.4
FCT (ABUJA)	12.7	73.8
ANAMBRA	12.4	62.7
ABIA	12.0	60.0
EDO	11.6	63.4
ONDO	11.2	73.5
KWARA	11.0	60.3
ENUGU	10.5	64.6
CROSS RIVER	10.1	62.0
KOGI	9.6	68.0
IMO	9.3	65.2
PLATEAU	8.9	66.5
AKWA-IBOM	8.9	71.0
BENUE	8.7	66.7
BORNO	8.7	64.3
GOMBE	8.6	58.2
NIGER	7.9	62.2
ZAMFARA	7.8	66.6
JIGAWA	7.6	67.4
EKITI	7.5	71.0
KATSINA	7.1	66.2
KEBBI	6.2	65.7
BAYELSA	5.1	82.2
NASSARAWA	4.9	67.8
TARABA	4.8	64.2
ADAMAWA	4.7	69.4
YOBE	3.6	67.9
BAUCHI	3.5	64.5
EBONYI	3.2	68.3

Notes: *States are ordered from highest to lowest in terms of average tax income (% of total revenue). The corresponding revenue from oil transfers is in next column.

CHAPTER THREE

Revenue Sources and Subnational Government Spending Priorities

Background

According to the Federal Inland Revenue Service's mission statement, one of the organization's key goals is making taxation the pivot of Nigerian development, de-emphasizing reliance on petroleum profits (FIRS, 2007). Tax administrators cite several reasons for pushing Nigeria away from the dependence on oil income, centering on the instability of this revenue source. Over the last five years, average oil prices have been declining while the costs of crude oil production has increased. Additionally, crude oil's average daily output has waned. Combined with rising hostilities in the Niger Delta (location of Nigeria's oil producing states), Nigeria's continued access to petroleum revenue is progressively more unpredictable. Thus, cultivating internal revenue via taxation provides a more stable model for economic growth.

In addition to these economic reasons, I argue that there are political benefits to tax generation (vs. oil revenue dependence). As previously mentioned, the Western European experience demonstrates how taxation of citizens cultivates a pattern of political representation. Political elites, financially reliant on citizens for income, shift public policy in order to satisfy their constituents' interests. This is done in order to curtail citizens' shirking tax payment (Levi, 1988).

Gibson and Hoffman (2006: 7) investigate a similar hypothesis, asking: "Do sources of revenue affect government expenditure?" Using local government budgetary data from Tanzania and Zambia, they find that when local government revenue is derived from taxes on citizens, politicians will tend to expend more funds on public services. On the other hand, when leaders

depend on funds derived from sources outside of their local constituency, (e.g. federal government transfers, foreign aid), they are more likely to spend resources on government salaries, allowances, and other recurrent expenditures.

Using data collected from the Central Bank of Nigeria (CBN) during fieldwork, I investigate Gibson and Hoffman's (2006) question in Nigerian local and state governments. Focusing this analysis on Nigeria provides theoretical and empirical leverage to test the revenue/representation relationship. First, Nigeria is a hard case with varying revenue profiles across subnational entities. Local and state governments have constitutional power to tax and they do so in a variety of ways. However, they also receive income from the sale of oil through federal transfers. This creates subnational variation in the types of revenue state and local governments utilize. Moreover, local and state governments are important to Nigerian politics. As a result of decentralization of central authority, Nigerian sub-national governments have purview over policy formulation and execution in a growing list of areas. They are also authorized to raise revenue for those ends. What determines local and state government spending priorities? I hypothesize that as revenue from taxation increases, local and state government spending on public service provision increases. Conversely, as revenue from federal transfers (natural resource income) increases, local and state government spending on government salaries and allowances will increase.

Several scholars have investigated how the devolution of power from the central government to sub-national units influences public service delivery and spending (Bish and Ostrom, 1973; Rondinelli, et al., 1989; Inman and Rubinfeld, 1996; Ferejohn and Weingast 1997; Snyder, 2001). Two schools of thought have emerged: one group of scholars assert that moving purview of public services from the national government to local and state entities will

decrease representation. In this argument, scholars contend that when subnational leaders have control over public funds, it is more likely that revenue will not be spent on public service provision, and will instead be diverted to other uses (Bardhan, 2001; Bardhan and Mookherjee, 2005a). For example, Akin, et al's (2001) study of health care in Uganda finds that decentralization is a detriment to service delivery. Local governments decrease expenditures for broad-based healthcare programs targeting citizens (e.g. child health, malaria control/medicine). Instead, leaders spend income on salaries, equipment, and vehicles for health sector employees.

On the other hand, opponents argue that devolution of power will benefit representation in the form of public service provision. According to Gordon (1983) and Rogers and Lee (2012: 6), "devolving policymaking authority...can allow for a closer connection between local preferences and policy." Subnational governments are literally closer to citizens than distant central governments. Therefore, local and state leaders are in a better position to determine constituents' service needs and act upon them, "tailor[ing] public services to local tastes" (Tiebout, 1956; Oates, 1972; Weingast, 1995; Ahmed et al, 2005; Bardhan and Mookherjee, 2005b). For example, in a study of public schools in Uganda, Reinikka and Svensson (2004) find that, while central government school grants primarily benefit well-off districts, local governments are better able to deliver benefits to poorer areas.

Neither of these groups, however, considers how the *source* of revenue available to local and state governments influences their spending priorities. Following Gibson and Hoffmann (2006), I investigate this question in Nigeria.

Research Design

Dependent Variable

Ideally, the dependent variable would be measured as the portion of local and state government expenditures utilized for the provision of public services. However, CBN reports of Nigerian local and state governments revenue and expenditures do not explicitly account for revenue spent on public service delivery. On the other hand, these reports do indicate expenditures for government salaries, wages, and other personal allowances (i.e. recurrent costs). But as Gibson and Hoffman (2006: 10) point out, “while it is tempting to infer that the share not used for recurrent costs must be used for public services, such a conclusion is false,” especially since non-recurrent expenditures can also include debt repayments. Thus, the portions of local government and state government revenue used for recurrent expenditures will be the two dependent variables utilized to test my hypothesis. I expect that as local and state governments generate more of their income from taxes on citizens, there will be less public expenditures on government salaries (negative relationship). However, I also expect that when local and state governments are more dependent on external, federal transfers (e.g. profits from petroleum sales, value added tax trances, international grants and foreign aid), they will engage in more salary spending (Table 3.1).²⁸

²⁸ I will take similar precautions as Gibson and Hoffman (2006: 10) regarding the expression of the two dependent variables: “The most obvious way of testing our hypotheses would be to use aggregate or per capita budget expenditures as our dependent variable. However because we have no reason to believe that expenditures on any budget line-item will decrease as taxes and/or transfers rise, using aggregate or per capita expenditure would be inappropriate.” Thus, for the local and state government analyses, the dependent variables are the portion of total (1) local and (2) state government revenue utilized for recurrent expenditures.

Data is obtained from the Central Bank of Nigeria Annual Report and Statement of Accounts from 1999 – 2009.²⁹ This report is produced yearly by the CBN; in addition to summarizing trends, it provides local and state government budgets, including revenue and expenditures.

Independent Variables

The key independent variables for this analysis are the four sources of revenue for local and state governments, measured in per capita terms. The first explanatory variable is the revenue each LGA and state government derived from non-oil taxes on citizens per capita (local and state levies, respectively). The second explanatory variable is local and state income from federal transfers from petroleum profits per capita. The third explanatory variable is local and state revenue from VAT transfers per capita. The last explanatory variable is LGA and state government income from international grants/foreign aid per capita.^{30,31}

Though the dependent variables are expressed as a share of total expenditures, I do not operationalize the independent variables in the same way. First, if I measure each revenue source as a portion of total revenue, the four shares must add up to one by definition. Therefore, I would be unable to test the four hypotheses simultaneously. Second, creating ratios of revenue shares would increase the correlation among the four independent variables measuring the

²⁹ For LGAs, data is available for the years 2000 – 2003 and 2008. For states, data is available for the years 2000-2003 and 2007 – 2009.

³⁰ For LGAs, transfers from state governments are also included.

³¹ For a list of the types of taxes collected by local and state governments, see Chapter Two's discussion of the Local Government Committees on Revenue Collections and the State Internal Revenue Services.

different sources of revenue. I am interested in testing all four sources of revenue simultaneously, which allows me to understand which source has the greatest impact on local and state government expenditure. Thus, I use the four sources of revenue measured in per capita terms (Gibson and Hoffman, 2006: 12).

This data is once again obtained from the CBN's Annual Report and Statement of Accounts, 2000 – 2009.³² For each year, these reports provide each LGA and state government's total revenue, and the portion of the total that is obtained from the four key revenue sources: taxes (local and state levies, respectively), federal transfers, transfers from the value added tax income (VAT), and grants/foreign aid.

Like Gibson and Hoffman (2006), I include the following control and structural variables in my models: LGA and state socio-economic capacity (measured with rates of primary education, access to health care, mortality rates) and LGA/state size (measured with population and land area).³³ However, unlike Gibson and Hoffman's (2006) cross-sectional analysis (100 Tanzanian and Zambian local districts in 2005), I utilize time-series data (774 LGAs across 2000 – 2004 and 2008; 36 states across 2000 – 2003 and 2007 – 2009). Thus, I also include yearly dummy variables to control for time trends. Finally, in order to control for the size of the economy and the possible influence the previous year's expenditures may have on the current year's spending, I include the previous year's recurrent expenditures. Including yearly dummy

³² For LGAs, data is available for the years 2000 – 2004 and 2008. For states, data is available for the years 2000 - 2003 and 2007 – 2009.

³³ Population (log of total), area (square miles), primary education (number of children enrolled), access to health facilities (ratio between state population and total number of health facilities in state), infant mortality (per 1,000). Obtained from the Nigerian National Bureau of Statistics: Social Statistics in Nigeria (2005) and the Nigeria Demographic and Health Survey (2003).

variables and the previous years recurrent spending allows each model to account for any serial autocorrelation associated with utilizing time series data.

Model Specification

Therefore, the basic regression models are as followed:

$$\text{LGA Recurrent Expenditures} = a_1 - b_1(\text{IGR/capita}) + b_2(\text{Transfers/capita}) + b_3(\text{VAT/capita}) + b_4(\text{Grants/capita}) + b_5(\text{Log Population}) + b_6(\text{Area}) + b_7(\text{Primary Education}) + b_8(\text{Health Facilities/capita}) + b_9(\text{Infant Mortality}) + b_{10}(\text{Recurrent Expenditures}_{t-1}) + b_{11}(\text{Year}_1) \dots b_{17}(\text{Year}_6)$$

$$\text{State Recurrent Expenditures} = a_1 - b_1(\text{IGR/capita}) + b_2(\text{Transfers/capita}) + b_3(\text{VAT/capita}) + b_4(\text{Grants/capita}) + b_5(\text{Log Population}) + b_6(\text{Area}) + b_7(\text{Primary Education}) + b_8(\text{Health Facilities/capita}) + b_9(\text{Infant Mortality}) + b_{10}(\text{Recurrent Expenditures}_{t-1}) + b_{11}(\text{Year}_1) \dots b_{18}(\text{Year}_7)$$

Tables 3.2 and 3.3 present the summary statistics for all variables included in the LGA and State models.

Analysis and Results

Tables 3.4 and 3.5 show the results from the analysis of local and state government expenditures. Using 1999 - 2009 CBN data, the dependent variable is measured with recurrent expenditures as a percentage of total government expenditure. The key explanatory variables are measured in the following way: local and state income from (non-oil) tax-based revenue per capita; local and state income from petroleum profits per capita; local and state VAT income per capita; local and state income from grants and foreign per capita. Again, this data is obtained from CBN reports. I discuss results from the local government analysis, followed by the analysis of state governments.

As expected, local taxes per capita stand in a significant, negative relationship to the share of local government expenditures spent on government salaries (Table 3.4). Holding all other variables constant, a one naira increase in internally generated tax income per capita corresponds with a 0.06% decrease in portion of local expenditures aimed at government salaries (In 2009, one naira \approx \$0.01). This result provides evidence that in local governments with a greater capacity to tax, politicians spend less public revenue on themselves and more on public services.

On the other hand, in line with the second hypothesis, federal transfers per capita have a strong and positive relationship to the share of local government expenditure going towards recurrent costs. For example, holding all other variables constant, a one naira increase in federal transfers per capita corresponds with a 0.15% increase in local government recurrent spending as a portion of total expenditures. Grants per capita, as hypothesized, act similarly to federal transfers, also having a strong positive relationship with local government spending on their salaries and allowances.

Contrary to my hypothesis, local government income from VAT transfers has a significant, but negative relationship with salary expenditures. Holding all other variables constant, a one naira increase in VAT income per capita is associated with a 0.25% decrease in local government spending on salaries. I initially expect a positive relationship because the VAT is collected at the local and state levels, but remitted to a federal pool. The federal government then distributes the funds between the different tiers of government, 774 LGAs dividing 35% of the overall VAT income between themselves.³⁴ Since local governments receive this revenue as

³⁴ According to the formula for the horizontal distribution of VAT funds among local governments, 50% is distributed equally among the LGAs, 30% is distributed based on population (LGAs with larger populations receive a larger share), and 20% based on derivation

a transfer, I expected VAT/capita, like other transfers, to have a positive relationship with salary spending. But this significant, negative finding suggests that, even though local governments receive VAT income as a transfer, it influences public spending in the manner of a tax. The VAT originates as a levy on goods and services paid by citizens. Evidence suggests that the source of this income as citizen-based tax overrides any effects from method of transfer to local governments. These relationships between revenue and salary expenditures remain significant even in the context of socio-economic capacity indicators, which have no effect on recurrent expenditures in this analysis.

Turning to the analysis of state government expenditures (Table 3.5), as hypothesized, taxed-based income has a strong, negative relationship with recurrent expenditures. Holding all other variables constant, a one – naira increase in a state’s internally generated tax revenue (IGR) per capita corresponds with a 0.16% decrease in that state’s contribution towards government salaries and allowances. On the other hand, a one – naira increase in a state’s income from federal transfers per capita is associated with a 0.14% increase in recurrent expenditures.

Like in the LGA model, VAT per capita has a negative relationship with state governments’ salary spending; however, this is not a statistically significant result. Similarly, the grant per capita variable bears a positive sign, but this does not indicate a significant relationship with state recurrent expenditures. These particular non-significant results (when compared to the significant results in the LGA model) could be attributed to the relative weight VAT and grants income in state and local budgets. For example, in 2009, 10% of state revenue in Nigeria came from VAT transfers and 7% was derived from grants. This is compared to LGA budgets where 15% of their revenue originated from VAT transfers and 32% was derived from grants. Taking

(that is LGAs generating more VAT income—a bigger VAT income effort—receive a larger share).

this into account, we observe that income from VAT and grants transfers are a more abundant revenue source for local governments than for state entities.³⁵

The LGA model and State model explain 30% and 15% of the variation in government expenditures, respectively. While much variation remains unexplained, these are relatively strong models. These analyses illustrate that level of development and demographic variables (alone) are unable to account for how local and state governments spend public revenue in Nigeria. Even though, as expected, a local or state government's recurrent expenditures in the previous year are positively related to spending in the current year, the source of government revenue still matters. Non-oil, tax-based income (including VAT at the LGA level) is consistently and negatively related to salary spending in both tiers of government. At the same time, dependence on natural resource revenue via federal transfers increases government spending on salaries and allowances.

As previously mentioned, both the LGA and State models have missing budgetary data. Since LGAs are clustered by state, there should be 216 LGA/year observations (36 states over 6 years). But because of missing data, there are only 171 LGA/years accounted for. This gap is less severe in the State model: 36 states governments over 7 years should result in 252 state/year observations. However, due to missing data, there are 246 state/year observations. If this data is systematically (as opposed to randomly) missing, the previous regression results could be biased. In order to check for this bias, I use data imputation to perform a robustness check. In the case of missing variables for LGA/year observations, I first calculate the mean values for each variable. I then impute that mean for the year(s) in which original data is unavailable. For instance, budgetary data (recurrent expenditures, IGR, federal transfers, etc.) is missing for local

³⁵ Please refer back to Tables 2.7 and 2.8 in Chapter Two, which provide summaries of local and state governments' revenue profiles.

governments in Zamfara State in 2003. So, for example, in order to produce an imputed value for recurrent expenditures, I calculate a mean using data that is available for spending in Zamfara's local governments in the other years. I then impute this mean value as a proxy for recurrent expenditures in Zamfara LGAs in 2003. I repeat this for missing variables in all LGA-year and state-year observations and then conduct new regression models.

Tables 3.6 and 3.7 present the summary statistics for the imputed LGA and State models. It is important to note that, besides the increase in observations, there are no other significant changes in each variable's mean, standard deviation, or minimum/maximum values.

Tables 3.8 and 3.9 show the results of the LGA and State imputed models. Local taxes per capita still have a significant, negative relationship with the share of local government expenditures spent of government salaries (Table 3.8). In fact, the strength of the relationship triples in the new model. Holding all other variables constant, a one – naira increase in tax income per capita corresponds with a 0.18% decrease in portion of local expenditures aimed at government salaries. Similarly, federal transfers per capita still have a consistently strong and positive influence on the share of local government expenditure going towards recurrent costs. Again, the effect is slightly increased in the imputed model, and now exerts the most influence on LGA recurrent spending. A one – naira increase in federal transfers per capita corresponds with a 0.20% increase in local government recurrent spending as a portion of total expenditures.

Grants per capita maintain a positive relationship with local government spending on salaries and allowances, though the strength decreases: a one – naira increase in grants per capita is associated with a 0.07% increase in local government recurrent spending as a portion of total expenditures. This is the same for VAT income per capita, which continues to have a negative relationship with local government spending on salaries, but the magnitude decreases.

In the imputed model, holding all other variables constant, a one – naira increased in government VAT income per capita corresponds with a 0.11% decrease in portion of local expenditures spent on salaries.

In the results for imputed State model (Table 3.9), tax-based revenue continues to have a significant, negative relationship with state government salary spending. Moreover, the strength of this relationship increases, such that a one – naira increase in a state’s tax per capita income is associated with a 0.17% decrease in state recurrent expenditures. The positive relationship between state income from federal transfers and salary spending also gains strength in this new model: if all other variables are held constant, a one – naira increase in income from federal transfers corresponds with a 0.17% increase in expenditures contributed to government salaries. Once again, VAT per capita has a positive relationship with state recurrent expenditures and grants per capita a negative one, but neither are significant.

The explanatory power of the imputed LGA and State models decrease (now explaining 25% and 14% of the variation in government expenditures, respectively). With that said, these continue to demonstrate that the sources of local and state government income remain significant predictors of public expenditures. When revenue is derived from external sources (outside of direct taxes on citizens), politicians are more likely to increase public spending on government salaries and allowances. Despite missing data, these relationships still hold.

Returning to the original models, I perform additional robustness checks to explore the possibility outlier cases that may be driving these relationships.

I begin with by checking for influential observations within each model.³⁶ I calculate each observation's Cook's distance, a measure of influence that combines residuals and leverage (Table 3.10). Since observations in Kaduna State and Lagos State exhibit a Cook's D larger than one, I consider them to be influential observations. I perform a similar check in the State model, calculating each observation's Cook's D (Table 3.11). We see that no observation has a value over one. With that said, Bayelsa State government in 2009 displays the highest Cook's D.

Having determined the influential observations in each model, I re-run regressions, removing LGAs in Kaduna State and Lagos State (LGA model) and Bayelsa State government (State model).

Tables 3.12 and 3.13 display the results of the LGA and State models re-run without the influential observations. Overall, the strength of the hypothesized relationships decreases in both models; however, the expected relationships still hold, and they are significant.

As expected, local taxes per capita still have a significant, negative relationship with the portion of government income spent on recurrent expenditures (Table 3.12). A one – naira increase in tax income per capita corresponds with a 0.05% decrease in the local government salary spending. Additionally, a one-naira increase in federal transfers per capita corresponds with a 0.1% increase in local government recurrent spending as a portion of total expenditures. Federal transfers continue have the strongest relationship with LGA recurrent spending.

³⁶ An observation's residual is "the difference between the predicted value (based on the regression equation) and the actual, observed value... an outlier is an observation with large residual. [Moreover] an observation with an extreme value on a predictor variable is a point with high leverage. Leverage is a measure of how far an independent variable deviates from its mean." Therefore, an observation is considered to be influential it is an outlier (having a large residual) and high leverage (UCLA Academic Technology Services, Statistical Consulting Group, 2012).

Grants per capita maintain a positive relationship with local government spending on their salaries and allowances, and VAT per capita continues to have a negative relationship with local government spending on salaries.

In state governments (Table 3.13), tax-based income continues to have a significant, negative relationship with salary expenditures. Again, the strength of this effect has decreased: a one – naira increase in a state’s tax per capita income is associated with a 0.1% decrease in state recurrent expenditures. The positive relationship between state income from federal transfers and salary spending is also still significant: if all other variables are held constant, a one – naira increase in income from federal transfers corresponds with a 0.1% increase in spending on government salaries. VAT per capita has a negative relationship with state recurrent expenditures and grants per capita a positive relationship, but like in the original model, neither is significant.

Despite conducting a series of robustness checks, the hypothesized relationships continue to maintain significance. Differentiating between tax based and non-tax based income, the source of local and state government revenue matters when predicting expenditures. When government revenue is derived from external, federal government transfers and grants, local and state leaders are more likely to spend income on themselves via salaries and allowances. However, when revenue comes from the internally generated income from the taxation of citizens, politicians spend less on their salaries. While accounting for missing values and influential observations, this relationship is still significant in LGAs and states.

Conclusion

In this chapter, I have investigated the influence of government revenue sources on budgeting and expenditures in Nigerian local and state governments. Using budgetary data between 1999 and 2009, I find that when local and state governments derive more of their revenue from internally generated income through taxes on citizens, they are less likely to spend public resources on government salaries and allowances. Instead, these governments contribute more resources to non-recurrent expenditures, including the provision of public services. By contrast, a higher level of dependence on natural resource revenue via federal transfers is associated with higher levels of recurrent spending. Going against the initial hypothesis, I find that VAT income acts as an internally generated revenue. Even though these revenues are collected at the local and state level, pooled at the federal level, and transferred to LGAs and state governments, VAT income has a negative relationship with LGA salary spending. Thus, as VAT income increases, local governments are less likely to use public funds for recurrent expenditures. Last, just as revenue from federal petroleum transfers, as the grants and foreign aid contribution to local budgets increase, LGAs spend more on government salaries.

This analysis suggests that theories of revenue extraction must consider not only taxation as a source of government income, but also petroleum and other external sources (e.g. grants, foreign aid). Once these models take other sources into account, they can be expanded to the developing world, especially Africa. Furthermore, once accounting for varied revenue sources, these theories are useful in explaining political behavior and decision-making, especially in budget priorities. In Nigeria, government officials are more likely to incorporate citizen preferences when making choices about how to spend public funds. A relationship between taxation and representative government suggests that building citizen capacity to monitor

government budgeting can bolster responsive government and influence the consolidation of democratic governance.

Chapter Three Tables and Figures

Table 3.1: CONCEPTUAL FRAMEWORK			
		DEPENDENT VARIABLES	
		LOCAL GOVERNMENT RECURRENT EXPENDITURES	STATE GOVERNMENT RECURRENT EXPENDITURES
INDEPENDENT VARIABLES	TAX-BASED REVENUE	-	-
	FEDERAL TRANSFERS (PETROLEUM PROFITS)	+	+
	VAT TRANSFERS	+	+
	INTERNATIONAL GRANTS & FOREIGN AID	+	+

Table 3.2: SUMMARY STATISTICS—LGA MODEL					
VARIABLE	OBSERVATIONS³⁷	MEAN	STANDARD DEVIATION	MIN	MAX
RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)	171	68	14.1	4	97.1
TAXES/CAPITA (NAIRA)	171	4775.1	25141	4.5	287439.4
TRANSFERS/CAPITA (NAIRA)	171	123022.7	531835.6	97	4273885
VAT/CAPITA (NAIRA)	171	17893.3	82236.4	7.7	751986.4
GRANTS/CAPITA (NAIRA)	171	4337	31611.1	0	382737.8

³⁷ Due to the nature of the data, LGAs are clustered by state. This should result in LGA observations in 216 state/year (36 states over 6 years); however there is missing data in the following: Plateau State 2002/2003/2004/2008; Abia 2003/2004, Adamawa 2003/2004, Anambra 2003/2004, Edo 2003/2004/2008, Ekiti 2003/2004, Enugu 2003/2004, Jigawa 2003/2004, Kwara 2003/2004, Niger 2003/2004, Ogun 2003/2004/2008, Oyo 2003/2004, Rivers 2003/2004, Taraba 2003/2004, Yobe 2003/2004, Zamfara 2003, Akwa-Ibom 2004/2008, Borno 2004/2008, Ebonyi 2004/2008, Ondo 2004/2008, Osun 2004/2008. This results in LGA clusters in 171 state/years.

Table 3.2 (cont'd): SUMMARY STATISTICS— LGA MODEL					
VARIABLE	OBSERVATIONS³⁸	MEAN	STANDARD DEVIATION	MIN	MAX
LOG POPULATION	171	6.6	0.2	6.2	7
AREA (SQ. MILE)	171	9828.9	6970.6	2440.2	29483.9
PRIMARY EDUCATION	171	546077.9	234241.5	731611	1443848
HEALTH FACILITIES/ CAPITA	171	6129.9	3628.1	2466	25577
INFANT MORTALITY	171	100.8	23.1	66	125
PREVIOUS YEAR'S RECURRENT EXPENDITURES (%)	171	69.4	12.1	4	97.1

³⁸ Due to the nature of the data, LGAs are clustered by state. This should result in LGA observations in 216 state/year (36 states over 6 years); however there is missing data in the following: Plateau State 2002/2003/2004/2008; Abia 2003/2004, Adamawa 2003/2004, Anambra 2003/2004, Edo 2003/2004/2008, Ekiti 2003/2004, Enugu 2003/2004, Jigawa 2003/2004, Kwara 2003/2004, Niger 2003/2004, Ogun 2003/2004/2008, Oyo 2003/2004, Rivers 2003/2004, Taraba 2003/2004, Yobe 2003/2004, Zamfara 2003, Akwa-Ibom 2004/2008, Borno 2004/2008, Ebonyi 2004/2008, Ondo 2004/2008, Osun 2004/2008. This results in LGA clusters in 171 state/years.

Table 3.3: SUMMARY STATISTICS—STATE MODEL					
VARIABLE	OBSERVATIONS³⁹	MEAN	STANDARD DEVIATION	MIN	MAX
RECURRENT EXPENDITURES (STATES, %)	246	56.0	14.4	14.6	88.8
TAXES/CAPITA (NAIRA)	246	1262.0	2269.1	31.0	15719.4
TRANSFERS/CAPITA (NAIRA)	246	7635.0	10040.6	900.4	87409.7
VAT/CAPITA (NAIRA)	246	792.0	620.9	116.1	4433.4
GRANTS/CAPITA (NAIRA)	246	1014.0	2019.6	0.0	19651.2
LOG POPULATION	246	6.6	0.2	6.2	7.0
AREA	246	9828.9	6970.6	2440.2	29483.9
PRIMARY EDUCATION	246	546077.9	234241.5	731611.0	1443848.0
HEALTH FACILITIES/CAPITA	246	6129.9	3628.1	2466.0	25577.0
INFANT MORTALITY	246	100.8	23.1	66.0	125.0
PREVIOUS YEAR'S RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)	246	58.0	13.3	17.3	88.8

³⁹ In this model, I'm including 36 states over 7 years, which should result in 252 state/year observations. However, due to missing data in Edo 2002/2003, Niger 2002/2003, Jigawa 2007/2008, there are 246 state/year observations.

Table 3.4: LGA MODEL⁴⁰	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.059* (0.001)
TRANSFERS/CAPITA	0.154* (0.005)
VAT/CAPITA	-0.247* (0.0004)
GRANTS/CAPITA	0.109* (0.009)
LOG POPULATION	-0.667 (7.201)
AREA	-0.019 (0.0001)
PRIMARY EDUCATION	0.146 (0.0006)
HEALTH FACILITIES/CAPITA	-0.109 (0.0003)
INFANT MORTALITY	-0.139 (0.053)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.072* (0.107)
CONSTANT	100.411*
N	171
R²	0.303

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴⁰ Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

Table 3.5: STATE MODEL⁴¹	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.160* (0.0006)
TRANSFERS/CAPITA	0.136* (0.0001)
VAT/CAPITA	-0.017 (0.003)
GRANTS/CAPITA	0.052 (0.0005)
LOG POPULATION	-0.069 (7.795)
AREA	.0011 (0.0001)
PRIMARY EDUCATION	-0.035 (0.0004)
HEALTH FACILITIES/CAPITA	-0.034 (0.0003)
INFANT MORTALITY	-0.102 (0.048)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.019* (0.075)
CONSTANT	93.097*
N	246
R²	0.135

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴¹ Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

Table 3.6 : SUMMARY STATISTICS-- IMPUTED LGA MODEL					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)	216	68.4	13.6	4.0	97.1
TAXES/CAPITA (NAIRA)	216	4616.4	23784.7	4.5	287439.3
TRANSFERS/CAPITA (NAIRA)	216	121196.7	506820.6	97.0	4273885.0
VAT/CAPITA (NAIRA)	216	17376.7	78027.1	7.7	751986.4
GRANTS/CAPITA (NAIRA)	216	4001.5	29834.0	0.0	382737.8
LOG POPULATION AREA (SQ. MILE)	216	6.6	0.2	6.2	7.0
PRIMARY EDUCATION	216	546077.9	234241.5	177830.0	1443848.0
HEALTH FACILITIES/CAPITA	216	6129.9	3628.1	2466.0	25577.0
INFANT MORTALITY	216	100.8	23.1	66.0	125.0
PREVIOUS YEAR'S RECURRENT EXPENDITURES (%)	216	69.8	11.6	4.0	97.1

Table 3.7: SUMMARY STATISTICS-- IMPUTED STATE MODEL					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
RECURRENT EXPENDITURES (STATES, %)	252	56.4	14.3	14.6	88.8
TAXES/CAPITA (NAIRA)	252	1257.9	2255.9	31.0	15719.4
TRANSFERS/CAPITA (NAIRA)	252	7608.2	9983.9	900.4	87409.7
VAT/CAPITA (NAIRA)	252	791.1	617.4	116.1	4433.4
GRANTS/CAPITA (NAIRA)	252	1012.9	2008.9	0.0	19651.2
LOG POPULATION AREA	252	6.6	0.2	6.2	7.0
	252	9828.9	6968.3	1341.7	29483.9
PRIMARY EDUCATION	252	556954.7	258852.5	177830.0	1443848.0
HEALTH FACILITIES/CAPITA	252	6515.2	4214.2	2466.0	25577.0
INFANT MORTALITY	252	100.8	23.1	66.0	125.0
PREVIOUS YEAR'S RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)	252	57.5	13.2	17.3	88.8

Table 3.8: LGA IMPUTED MODEL ⁴²	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.181* (0.0009)
TRANSFERS/CAPITA	0.198* (0.0002)
VAT/CAPITA	-0.110* (0.003)
GRANTS/CAPITA	0.075* (0.0009)
LOG POPULATION	-0.048 (6.379)
AREA	.0011 (0.0001)
PRIMARY EDUCATION	-0.131 (0.0004)
HEALTH FACILITIES/CAPITA	-0.117 (0.0002)
INFANT MORTALITY	-0.139 (0.049)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.065* (0.103)
CONSTANT	89.578*
N	216
R²	0.249

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴² Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

Table 3.9: STATE IMPUTED MODEL ⁴³	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.174* (0.0006)
TRANSFERS/CAPITA	0.167* (0.0001)
VAT/CAPITA	-0.055 (0.003)
GRANTS/CAPITA	0.032 (0.0005)
LOG POPULATION	-0.068 (7.721)
AREA	.006 (0.0001)
PRIMARY EDUCATION	-0.033 (0.0004)
HEALTH FACILITIES/CAPITA	-0.049 (0.0003)
INFANT MORTALITY	-0.098 (0.046)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.014* (0.075)
CONSTANT	90.169*
N	252
R²	0.139

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴³ Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

Table 3.10: OBSERVATIONS WITH HIGHEST COOK'S D VALUES	
LGA-STATE YEAR	COOK'S D
BAYELSA 2004	0.102
CROSS RIVER 2004	0.038
DELTA 2004	0.225
GOMBER 2004	0.045
KADUNA 2004	96.836
KANO 2004	0.564
LAGOS 2004	9.776
DELTA 2008	0.026
ENUGU 2008	0.029
LAGOS 2008	0.154
NASSARAWA 2008	0.030
YOBE 2008	0.033

Notes: For interpretation of the references to color in this and all other tables and figures, the reader is referred to the electronic version of this dissertation.

Table 3.11: OBSERVATIONS WITH HIGHEST COOK'S D VALUES	
STATE YEAR	COOK'S D
NIGER 2000	0.023
YOBE 2002	0.029
BAUCHI 2003	0.020
KANO 2003	0.027
BAYELSA 2007	0.031
KANO 2007	0.068
RIVERS 2007	0.038
BAYELSA 2008	0.019
EBONYI 2008	0.029
EBONYI 2008	0.024
KANO 2008	0.024
RIVERS 2008	0.035
TARABA 2008	0.024
ABIA 2009	0.010
AKWA-IBOM 2009	0.067
BAYELSA 2009	0.133
EBONYI 2009	0.022

Table 3.12: LGA MODEL WITHOUT OUTLIERS⁴⁴	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.051* (0.0002)
TRANSFERS/CAPITA	0.097* (0.0004)
VAT/CAPITA	-0.221* (0.009)
GRANTS/CAPITA	0.083* (0.0009)
LOG POPULATION	-0.585 (7.001)
AREA	.0009 (0.0064)
PRIMARY EDUCATION	-0.023 (0.0003)
HEALTH FACILITIES/CAPITA	-0.112 (0.0002)
INFANT MORTALITY	-0.115 (0.056)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.054* (0.112)
CONSTANT	97.474*
N	169
R²	0.266

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴⁴ Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

Table 3.13: STATE MODEL WITHOUT OUTLIERS⁴⁵	
	RECURRENT EXPENDITURES (% TOTAL EXPENDITURES)
TAXES/CAPITA	-0.099* (0.0006)
TRANSFERS/CAPITA	0.093* (0.0001)
VAT/CAPITA	-0.011 (0.003)
GRANTS/CAPITA	0.036 (0.0005)
LOG POPULATION	-0.041 (7.721)
AREA	.0010 (0.0001)
PRIMARY EDUCATION	-0.023 (0.0004)
HEALTH FACILITIES/CAPITA	-0.032 (0.0003)
INFANT MORTALITY	-0.092 (0.046)
PREVIOUS YEAR'S RECURRENT EXPENDITURES	0.018* (0.075)
CONSTANT	90.169*
N	245
R²	0.131

Notes: * significant at the 0.05 level.

Standard errors are in parentheses below the coefficients.

⁴⁵ Ordinary Least Squares regressions run with Stata 12.0; panel corrected for standard errors. The regression is run with dummy variables for every year (but one) covered by the data.

CHAPTER FOUR

Leveraging Regional Variation in Tax Generation and Oil Dependence

Background

In the previous chapter, I established how taxation and representation interact at a macro-level in Nigeria. The pattern of revenue reliance shapes budgetary priorities. In states and local governments that derive more internally generated income from non-oil related taxes on citizens, politicians spend less on government salaries and allowances. On the other hand, states and LGAs with a higher level of dependence on external sources of revenue (e.g. federal transfers of oil revenue and foreign aid) engage in more salary spending. As I continue to investigate revenue and representation linkages in Nigeria, it becomes important to consider how tax extraction and dependence on oil income vary within and between regions. In doing so, I can examine how sources of government income may influence individual elected officials' behavior at the micro-level.

In this chapter, I will investigate how reliance on different forms of public revenue influences individual elected officials. Scholars argue that in Western Europe, when governments generate income from taxes on citizens, elected leaders are more likely to shift public policy decisions to reflect the populace's priorities. Political elites do so in order to fulfill their part of the fiscal contract with citizens (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988). I rely on original elite surveys with legislators to test this theory in Nigeria. Due to limited research resources, I narrow down my cases, focusing on elites in regions with the most variation in state tax generation. Therefore, this chapter begins with an analysis of regional variation of tax generation and oil dependence in Nigeria. After selecting two regions (and six

states) as cases, I profile revenue extraction and elite representation in each state. From here, I outline my sampling procedures and survey methodologies. Using data from these elite surveys, I test the hypothesis that politicians in states with higher levels of tax generation are more representative of their constituents.

Regional Variation in Tax and Oil Dependence: Case Selection

Although Nigeria abandoned use of the “region” as a subnational unit in the Second Republic, regional characteristics continue to play a role in Nigerian politics. According to Suberu (2001: 219), “in order to promote the equitable and stable distribution of powers and resources in the country,” political leaders aggregate the Nigerian states into geopolitical zones. The North-West, North-East, Middle Belt (i.e. Lower North), South-West, South-South, and South-East constitute these regions.⁴⁶ The six units reflect broad regional, cultural, and ethno-political cleavages, which historically characterize the federation (Paden, 1990). For example, each of Nigeria’s three major ethno-linguistic groups dominates specific regions. Demographically, the Northern Region (e.g. North-West, Middle Belt, and North-East zones) is predominantly Muslim, with an ethnic Hausa-Fulani majority. The South-Western Region is largely Yoruba and roughly balanced among Muslims and Christians. Last, the Eastern Region, made up of the South-South and South-East zones, is predominantly Igbo and overwhelmingly

⁴⁶ The contemporary Nigerian states included in each zone:

North-West: Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara.

Middle Belt: Federal Capital Territory (Abuja), Benue, Kogi, Kwara, Nasarawa, Niger, and Plateau.

North-East: Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe.

South-West: Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo.

South-South: Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, and Rivers.

South-East: Abia, Anambra, Ebonyi, Enugu, and Imo.

Christian (Lewis, 2011: 3). Given the ethno-political salience of zonal distinctions, how do tax income generation and oil dependence vary within and between regions?

In Chapter Two, Table 2.9 presents the variation in average tax and oil dependence across Nigeria's 36 states between 1999 and 2009. However, since scholars (e.g. Paden, 1997; Suberu, 2001) argue politicians take regional groupings into account when distributing resources, it is important to consider variation in state governments' reliance on tax income (vs. petroleum income) within these subnational categories.

Overall, states in the Southern portion of Nigeria generate more income from taxes on citizens than their counterparts in the Northern portion of the country. On average, between 1999 and 2009, Southern States obtained 15% of their income from taxation of citizens. However, during this same period, Northern States derived 8% of their revenue from taxes. Between 1999 and 2009, states in Nigeria's South-West Region were the most capable of extracting tax revenue. Table 4.1 presents tax revenue as a percentage of total income in the South-Western States in recent years. By 2009, four out of the six states in this region were generating over 20% of their income from taxation of citizens. In fact, Lagos (located in the South-West) was the only state in the federation where income from direct taxation of citizens superseded petroleum revenue (between 1999 and 2009, 54% of their revenue from taxes, 24% from oil transfers).

On the other hand, The North-East Region generated the least amount of their income from taxation of its citizens: from 1999 to 2009, in this region, only 5% of state revenue came from non-oil, tax sources. As seen in Table 4.2, between 2005 and 2009, all of the North-East states managed a steady increase in their tax generation. In fact, Gombe and Taraba States were able to at least double taxes as percentage of their total revenue. But, with the exception of Gombe,

North-Eastern states still derived less than 10% of income from taxes on citizens.

This finding that Southern states out performing Northern states in tax generation is partially contradictory to previous research. Scholars typically argue that states in Northern Nigeria have a historical experience as strong tax generators.

Berger (2009) asserts that, from the time of British colonialism, government units in Northern Nigeria have been characterized with a higher capacity to raise income from the direct taxation of citizens:

“The government of the Southern Protectorate [of Nigeria] had an obvious tax handle in import tariffs levied at the ports...[But] Since the Protectorate of Northern Nigeria had no seacoast and thus no ports the northern government was unable to raise money from tariffs. Therefore, Lugard [colonial governor in the North] raised the money he needed by a series of direct taxes. In the Muslim areas farther to the north there were property taxes and taxes on livestock. However, in what they referred to as the “pagan areas” they used a simple poll-tax” (Berger, 2009: 10).

He goes on to argue that this earlier experience with developing and maintaining a tax administration manifests in contemporary Nigeria. Berger (2009) finds that, today, local governments north of the 7° 10' N line have more efficient bureaucracies that are better able to deliver public services.⁴⁷

However, the budgetary data presented and discussed here do not corroborate Berger's (2009) assertions. Southern states generate tax revenue at a higher rate. Moreover, besides states engaged in oil production, Northern governments are the most dependent on petroleum income from federal transfers (Table 4.3).⁴⁸ It is especially interesting to note that oil-producing

⁴⁷ In 1899, the British Colonial Authority divided Nigeria into the Northern and Southern Protectorate using the 7° 10' N line (Berger, 2009).

⁴⁸ The following Nigerian states are oil producing: Abia and Imo in the South-East; Akwa Ibom, Bayelsa, Cross River, Delta, Edo, and Rivers in the South-South; Ondo in the South-West

states still outperform Northern governments in terms of tax generation. In oil producing states, between 1999 and 2009, on average, 12% of government income was derived from non-oil taxes on citizens. However, in Northern states, about 8% of revenue was generated from taxes. During this same period, the Southern, non-oil producing states were the most capable of extracting tax revenue: 18% of government income was derived from internally generated tax income. As analysis in Chapter Three demonstrates, states and local governments that extract more income from tax revenue are less likely to spend income on politicians' salaries. Inferring from the pooled analyses in the previous chapter, it is probable that because Southern, non-oil producing states have a greater tax-capacity, they also spend less resources on government salaries and allowances. On the other hand, contrary to Berger (2009), Northern states and Southern oil producing states would be more likely to contribute a greater share of revenue to salary spending.

In the majority of Nigeria's states, the tax administration inherited from their colonial legacy has stagnated or declined. In the immediate post-colonial era, Nigeria underwent a centralization of political and financial authority (Suberu, 2004). Berger (2009) discusses how during the colonial period, subnational entities had authority to generate their own income (e.g. through direct taxation of citizens, tariffs, and income from agricultural marketing boards). However, as Nigeria gained independence, regional hyper-autonomy repeatedly threatened federal authority, coalescing in the Biafran Civil War.⁴⁹ As a result, Nigeria's subsequent military and civil governments held power closely in the center, ensuring the states' dependence

(Oviasuyi and Uwadiae, 2010). In addition to the standard allocation of petroleum revenue, these states receive an additional 13% of national petroleum income, beyond the standard federal allocation.

⁴⁹ See Chapter Two: Neopatrimonialism, Federalism, and Citizen-Elite Relations in Nigeria: An Historical Overview.

on the national government. As Suberu (2001: 27) argues: “the central authorities became responsible for the legal administration and collection of the most lucrative revenue sources.” This included exclusive rights to all revenue produced from the petroleum industry (enforced by the 1969 Petroleum Decree) and import, export, excise, business, and mining taxes. Suberu (2001: 47) also asserts “the allocation of the most important tax jurisdictions to the center [created] heavy reliance on the redistribution of centrally collected revenues [to the states].” Thus, as state authority over taxation decreased, these politicians substituted oil revenue for their income. This combination of factors resulted in the deterioration of state tax administrations.

Since Nigeria’s return to democratic governance and the creation of the (contemporary) Fourth Republic in 1999, constitutional authority over taxation has been dispersed, the federal government sharing power with states.⁵⁰ States vary in the way they have generated tax revenue under this new system. For example, states in Southern Nigeria (particularly in the South-West Region) have been able to steadily increase the capacity of their tax administration. However, as the data suggests, this has not been the case in much of Northern Nigeria. Suberu (2001: 69, 2004: 341) provides justification for why this may be the case:

“the landlocked and relatively more economically depressed North depends more heavily than the South on the present system of centralized distributive federalism. Thus, while they [Northern political leaders and citizens] have supported the transfer of more federally collected revenue to the subfederal authorities, the Northern states are averse to any proposals for regional resource control [or autonomous revenue generation within the states].”

Berger (2009) previously notes that during the colonial period, the landlocked, Northern states turned to direct taxation in order to raise the money needed to govern. However, in contemporary Nigeria, like Suberu (2001, 2004) argues, access to petroleum revenue from

⁵⁰ Chapter Two *Nigeria’s Tax System: Mobilizing Revenue At Three Levels of Government* outlines the division of federal, state, and local tax authority in contemporary Nigeria.

federal transfers allows Northern politicians to bypass developing their internal revenue generation capacity via taxes on citizens.

With that said, some Northern states, particularly in the North-West Region, have been able to make advances in increasing their tax administration's capacity. For example, between 2005 and 2009, Jigawa, Kaduna, and Kano States were able to double the percentage of total revenue made up from taxes (Table 4.4). It is important to note that these three states began from a low base. In 2005, tax revenue made up 7% of Jigawa and Kaduna States total income. However, by 2009, in these two states, about 15% of revenue was derived from taxes on citizens. The same could be said for Kano State, where between 2005 and 2009, tax income as a portion of total revenue doubled, growing from 11% to 22%. Furthermore, taxes as a portion of total income increased by almost five times in Kebbi, Sokoto, and Zamfara States. In Kebbi and Zamfara States, in 2005, roughly 3% of total revenue was obtained via taxes on citizens. But by 2009, taxes as a portion of state income grew to 14% in Kebbi State and 15% in Zamfara State. Similarly, in 2005, 9% of Sokoto State's income came from taxes. By 2009, tax revenue was 48% of Sokoto's total income. In fact, in 2008 and 2009, Sokoto followed Lagos as the most tax dependent state in the Nigerian federation. Unlike in the South-West Region, where by 2009, four out of six states were generating over 20% of their income from taxes on citizens, this is only true of two North-Western states (Kano and Sokoto). Even though this is the case, unlike other regions in Northern Nigeria, where tax revenue generation has remained relatively stagnant, the North-West Zone has been able to make some progress.

Given this intra and inter-regional variation in tax generation and oil dependence, what are the consequences for elite attitudes and behavior toward representation of citizens? In Chapter Three, I have demonstrated how, overall in Nigeria, when a state obtains more of its

income from taxes, it spends less on government salaries and allowances. Instead, these states spend more resources on non-recurrent expenditure, including investing in public services.

Looking within regions, does this relationship also hold? Does varied reliance on tax vs. oil income change individual elite policy behavior?

By leveraging intra-regional variation, it is possible to investigate the effect of revenue on the incentives and preferences of individual elected officials. I hypothesize that elected officials in states with a greater capacity to generate tax income will be more representative of their constituents. I expect this based on theories of revenue extraction and representation in Western Europe (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989; Acemoglu and Robinson, 2005) and Africa (Fjeldstad and Semboja, 2001; Fjeldstad, 2001; Gibson and Hoffman, 2006; McGuirk, 2012). Elite opinions about revenue and representation are not readily available for the purpose of analysis. Thus, I have conducted interviews with Nigerian state legislators. These interviews gauging legislators' policy perspectives and priorities are an original contribution of this project.⁵¹ Ideally, I would have completed interviews with legislators in all 36 Nigerian states; however, due to limited resources, I select states from two regions with contrasting patterns of tax capacity and oil dependence to test my hypotheses. By focusing on the regions with the greatest variability in revenue generation, I can more effectively isolate any influence tax capacity or oil dependence has on elite perceptions of

⁵¹ The African Legislatures Project (ALP) is an academic and policy project, located in the Centre for Social Science Research at University of Cape Town (South Africa). This project utilizes both qualitative and quantitative approaches to uncover “how and why do African legislatures function as they do” and “what constitutes ‘best practice’ for the purpose of strengthening African institutions which are an essential component of democratization on the continent.” So far, analysis has been conducted in Kenya, Malawi, Mozambique, Namibia, Tanzania, Uganda, and Zambia. While research in Nigeria is currently underway, it is important to note that this project focuses exclusively on National Legislatures. Therefore, my focus on state legislators is an original contribution.

representation. The next section outlines the case selection strategy.

Looking at average tax and oil income distribution (as percentage of total government revenue) between 1999 and 2009, Table 4.5 presents the standard deviation each of Nigeria's six regions. A larger standard deviation indicates more within-region variation. As we can see, the South-West Region has the highest level of variability in tax and oil revenue reliance between 1999 and 2009. During this period, South-Western states' average tax generation (tax income as a percentage of total revenue) was 21%. On average, states in the South-West varied from this mean by 17%. In terms of oil dependence, states' in the South-West derived 57% of their income from petroleum transfers. On average, these states varied from the regional mean by 18%. The South-South Zone followed with the next highest level of variation. In this region, between 1999 and 2009, on average, 12% of states' income was derived from taxes on citizens. On average individual South-South states varied from the regional mean by 6%. During this same time frame, 67% of the South-South states' revenue came from oil income. On average, states varied from the regional mean by 8%. However, since states in this region produce petroleum, they receive an additional 13% of oil income from federal transfers beyond the standard federal allocation.⁵² As another measure of control, I will not to focus on petroleum-producing states in my analysis. Therefore, the zone with the next highest level of within-region variability in revenue generation is the North-West. In this region, from 1999 to 2009, on average, tax income made up 10% states' income. Individual states varied from this regional mean by 4%. In this same period, North-Western states, obtained 64% of their income from petroleum wealth. On average, these states varied from the regional mean by 4%.

Thus, in order to maximize variation, I select the South-West and North-West Zones for

⁵² Referred to as the derivation principle, please see Chapter Two: *Distributing Petroleum Wealth Across the Three Tiers* for further discussion.

my continued analysis of the revenue and representation relationship at the micro-level.

Focusing on these two regions, I investigate the hypothesis that, elected officials in tax-reliant states will be more representative of their constituents.

Having selected the South-West and North-West Regions for analysis, this narrows down my possible cases from 36 to 13 states (six states in the South-West, seven states in the North-West). Once again, due to limited resources, I limit my cases further, choosing a high performer, average performer, and low performer with respect to tax generation in these two.⁵³ As a result, I am able to control for regional effects by looking at high, average, and low tax generators within both regions. Tables 4.6 and 4.7 present the South-West and North-West's average tax generation and oil income dependence between 1999 and 2009. Based on this data, I select high, average, and low performers in each region. Therefore, the cases in the South-West are Lagos (high), Oyo (average), and Ekiti (low).⁵⁴ The cases in the North-West are Sokoto (high), Kano (average), and Katsina (low).

In the next section, I describe these six cases, providing background information on the structure of each state's revenue sources since Nigeria's return to democratic rule. I will also discuss the organization of each state's legislature. Within this context, we can delve deeper into the revenue and representation linkages, considering elite perspectives.

⁵³ High, average, and low performance is with respect to the national average of tax and oil income as percentage of total state revenue. Between 1999 and 2009, on average taxes make up 13% of state income, and average oil dependence is 64%.

⁵⁴ Since Ondo State is a petroleum producing state and a recipient of derivation funds, I do not include it in my analysis.

Revenue in the South-West and North-West Cases

As previously mentioned, since Nigeria's return to democratic governance in 1999, the South-West and North-West Regions have led the nation in tax generation. However, referring to Tables 4.8 and 4.10, we can observe variation in tax generation within these zones.

Tax Generation and Oil Dependence in the South-West

Between 1999 and 2009, Lagos State (high-performer) generated an average of 53% of state income from taxes on citizens. This made Lagos the most capable with tax extraction during this period, not only in the South-West, but also in the Nigerian Federation. Turning to a graphic representation of the data (Figure 4.1), we see, for the most part, the portion of Lagos' state income derived from taxes steadily rose, beginning with taxes comprising 41% of revenue in 1999 and reaching 64% in 2009.

Comparing Lagos to Oyo State, the average-performer, we observe a noticeable gap. From 1999 to 2009, Oyo State earned a mean of 17% of revenue from taxes. Though tax generation in Oyo also steadily increased during this period, it did not reach the same rates as Lagos State (Figure 4.1). Starting with taxes making up 10% of state income in 1999, Oyo reached a peak of 22% in 2007, then slightly reducing to 21% in 2009 (Table 4.8).

Finally, in Ekiti State, the low-performer, taxes constituted an average of 8% of revenue between 1999 and 2009 (Table 4.8). However, as evident in Figure 4.1, Ekiti (like Lagos and Oyo) experienced an increase in tax dependence during this time frame. With that said, taxes as a percentage of total revenue increased at a notably slower rate than the other two case-states. Beginning with taxes making up 3% of Ekiti's income in 1999, tax generation crested at 13% in 2009.

The picture of petroleum income dependence in the South-Western cases is markedly different. While tax generation in Lagos, Oyo, and Ekiti States increased at relatively steady, albeit different rates, oil income as a portion of state revenue was more volatile. This confirms Ross's (2012) assertion that the volatility of world oil prices can produce fluctuations in government finances. Figure 4.2 provides a graphic representation of the South-Western oil dependence data in Table 4.9.

On average, Lagos State was the least oil dependent government in this zone, as well as among all Nigerian states. From 1999 to 2009, oil revenue from federal transfers made up 24% of Lagos' government income (Table 4.9). Oil dependence reached a peak of 39% in 2001, decreasing to petroleum income comprising 20% of Lagos State's revenue. In 2005, oil revenue once again increases to 26%, bottoming out in 2007 at 11%, before rising to 15% of state income in 2009. Though petroleum revenue as portion of Lagos' income declined overall during this period, this source of funding was also unstable from year to year.

During the same time period, oil income made up a larger portion of state revenue in Oyo and Ekiti States. However, like in Lagos, petroleum wealth remained a volatile component of Oyo and Ekiti's income, declining over time. For example, in 1999 54% of Oyo State's revenue was obtained via federal transfers of petroleum income. Oyo's oil dependence peaked in 2001 (78% of state income derived from oil revenue). By 2009, the portion of income from petroleum decreased to 49%, the lowest point in Oyo during this 10-year frame. Ekiti State, the most oil dependent state of my cases, followed a similar pattern. In 1999, 74% of Ekiti's income was derived from oil wealth. Peaking in 2001 (at 86%), Ekiti's oil dependence continued to fluctuate, before then declining to 58% of state revenue coming from petroleum transfers in 2009.

Overall, in the South-West cases, we see that as tax generation and reliance has increased, the trend in oil dependence has decreased. Moreover, evidence confirms previous scholars' assertions about the instability in petroleum income and the volatile influence on state budgets.

Tax Generation and Oil Dependence in the North-West

Turning to the North-West cases, we observe similar patterns in the growth of states' tax dependence and volatility, but gradual decrease in oil income reliance. Unlike in the South-West Zone, where the high performing state is far ahead of the other cases in tax generation, Sokoto, Kano, and Katsina States started off at similar levels of tax dependence. Referring to Table 4.10 and Figure 4.3, we see that, in 1999, tax income made up between 3% and 7% of revenue in these cases. In Sokoto (high-performer), between 1999 and 2005, tax dependence ranged from 5% to 9% of state income. However, starting in 2007, tax income as a portion of total revenue jumped to 19%, and reached a new height of 48% in 2009. During this same period, Kano State (average performer) experienced a relatively more stable growth in tax reliance. Beginning in 1999, when taxes comprised 7% of Kano's state income, over this ten-year time frame, tax dependence peaked at 22% by 2009. Last, in Katsina State (low performer), we also observed a stable, but comparatively modest rate of growth in tax dependence. In 1999, 3% of Katsina's income was derived from taxes on citizens. This increased, reaching its highest point at the end of the decade, where 12% of Katsina's state revenue was tax-based. Thus, starting in 2007, Sokoto State began to surpass other North-Western states in tax generation. And by 2009, Sokoto was the second most tax-dependent state in Nigeria (following Lagos States). Likewise, by the end of this time period, the internal variation in tax reliance within the North-West Zone is evident.

Oil reliance in the North-West cases follows the same trend of instability as in South-Western states. In 1999, Kano State was the least tax dependent, with 52% of revenue coming from federal petroleum income transfers (Table 4.11, Figure 4.4). At its lowest point, 39% of Kano's revenue came from oil income. Oil dependence in Kano reached its peak two years later, when federal transfers made up 77% of state revenue. Between 1999 and 2009, oil dependence in Kano State fluctuated, and by the end of that time period, 53% of revenue was derived from petroleum wealth. Similarly, over ten years, Katsina's access to petroleum income via federal transfers was volatile. In 1999, 76% of Katsina's revenue came from oil-based income. This remained relatively steady before dropping to 47% in 2002. Oil dependence peaked in 2005 when 78% of Katsina's income was obtained from oil wealth. By 2009, federal transfers as a portion of state income dropped to 61%. On the other hand, in Sokoto, after oil dependence reached its height in 2000 (84% of revenue from oil income), reliance on federal transfers decreased. By 2009, 34% of Sokoto's revenue was derived from petroleum funds, once again making this state one of the least oil dependent in the Federation.

As previously mentioned, tax generation has been on the rise in Nigeria since 1999. Though occurring at different rates, this trend applies to both South-Western and North-Western states (Figures 5.7 and 5.9). I argue the expansion of the state revenue boards' authority to collect taxes and punish evaders explains this development. Moreover, the leap in Sokoto's capacity to extract taxes provides a concrete illustration.

Efforts to improve tax capacity and remove barriers to tax management across Nigeria have been spearheaded by a Joint Tax Board (JTB) campaign. Though Project FACT (Friendly, Accurate, Complete, and Timely), state tax administrations (SIRS) have begun automating tax

collection.⁵⁵ As individuals and corporations register and receive taxpayer identification numbers (TIN), state tax administrations can identify and access information about taxpayers. This brings more taxpayers under the tax net, allowing tax authorities and citizens to determine actual income and tax burden. Taxpayers then remit the tax payment to one of the approved collecting banks and receive a ticket as proof of payment. Through this process, tax agents are removed from accepting direct payments or money. This has helped to curtail fraud. Thus, as more taxpayers (individual and corporations) have obtained their TIN numbers and participated in the automated tax payment system, state tax administrations have been able to increase states' income from taxes.

Sokoto State provides a good example of Project FACT's positive influence. In an interview with a high-level administrator in the Sokoto SIRS, he attributes the spike in Sokoto's tax generation, in part, to the success of Project FACT: "With automation, now the taxpayer feels more comfortable. We [at SIRS] do not take cash. The taxpayer pays taxes to the bank and they get a receipt. Now that there is computerization, they can check their own records" (Director, Sokoto State Board of International Revenue, Personal Communication, June 21, 2011).

In addition to federal support and coordination, the rise in state tax boards' authority and effectiveness is also attributed to political initiative from state legislators. Returning to the Sokoto State tax administrator: "sustaining the success of internally generated tax revenue is a problem without politicians' support." Again, Sokoto provides a good example of the role political support can play in cultivating a strong tax administration. In 2007, members of

⁵⁵ Chapter Two's discussion of Joint Tax Board (under *Nigeria's Tax System: Mobilizing Revenue At Three Levels of Government*) provides a comprehensive outline of Project FACT.

Sokoto's tax administration (supported by Governor Aliyu Wamakko) began exploring best practices in tax extraction and methods of increasing state tax capacity. Petitioning the Sokoto State House of Assembly, tax administrators joined members of the House Committees on Public Accounts and Finance and Appropriation to craft legislation to empower the Board of Internal Revenue. In 2008, the House of Assembly passed the Sokoto State Board of Internal Revenue Law. This law established the Board's financial and legal autonomy. It also provided the tax administration with the legal framework to collect taxes from citizens and pursue and punish tax evaders. According to the afore-mentioned Sokoto State tax administrator: "With this autonomy law, the board can now act," and this action has taken several forms. With their legislative authority, SIRS has used "carrot and stick" methods to encourage tax payment. In terms of carrots, Sokoto SIRS engages in campaigns to educate citizens about the tax burden and the new process for payment. The Sokoto State tax administrator explains, "[Sokoto] SIRS has tax collection committees. They are made up of field officers who go door to door to educate [citizens] about taxes. They also have public meetings with unions and other local groups." He also highlights the SIRS use of media services via TV and radio jingles: "Tax payers should know what they should be paying. Education first, then enforcement." The "sticks" SIRS now has the authority to use include the power to audit individuals and corporations, fine those who are non-compliant, and use the state legal system prosecute tax evaders in court.

But more so than force, this tax administrator believes: "people will pay taxes if they feel government is working. There must be projects and infrastructure on-ground. When government performs, the citizen feels compelled to pay [taxes]. It is the responsibility of the [government] administration to be wise with the new tax revenue." Thus, even though the Joint Tax Board aims to increase tax capacity across all Nigerian states, political initiative via legislation factors

into a given state's level of success in increasing tax income. In Chapter Six, I continue this investigation of the role of political initiative in broadening state tax capacity. An inter-regional comparison of Lagos and Kano states corroborates these findings in Sokoto.

Representation in the South-West and North-West Cases

As examined in Chapter One, legislatures are the chief political institution engaged in representation. According to Barkan (2009: 7), “legislatures are the institutional mechanism through which societies realize representative governance on a day-to-day basis.” Different from the executive, who “as heads of state, are expected to synthesize, balance, and aggregate interests into ‘the national interest’,” a legislator is beholden to the interests of his/her constituency. Thus, the legislative body, as a whole, serves as an arena where various constituent preferences are conveyed, debated, and converted into public policy. In my analysis of representation in Nigeria, and the influence of revenue on representative practice, I concentrate on state legislatures.

Barkan (2009: 2) argues, “most African legislatures, like legislatures worldwide, remain weak in relation to the executive.” In particular, the post-independence era of neopatrimonial rule curtailed the development of legislatures in Africa. For example, during this period, Nigeria's legislature was completely disbanded in lieu of military-authoritarian governance (although there were brief moments of civilian rule, i.e. First Republic (1960 – 1966), Second Republic (1979 – 1983); see Chapter Two). In other cases (e.g. Zambia), the legislature functioned as an executive tool for delivering patronage to citizens in an effort to legitimize the authoritarian regime (Barkan, 2009: 13 – 15). Rather than serving as an independent branch of government—providing oversight or generating policy—legislatures were wholly dependent on the executive. In both circumstances, as African countries returned to multi-party democracy in

the 1990s, legislatures emerged from the “downward spiral of conditions that had undermined them for a quarter-century” (Barkan, 2009: 15).

While this previous scholarship has focused exclusively on national legislatures, I argue that the same assertions of legislative development apply subnationally. Especially in Nigeria, the return to democracy in 1999 has been accompanied by a two-pronged federalism. First, there has been a distribution of authority between branches of government, equipping the national legislature with the ability to form policy independently while serving as a check on the executive. Second, political power has been dispersed through levels of government. State legislatures are empowered, by law, to govern, independently of the federal government and the state executive (governor).

According to Nigeria’s 1999 Federal Constitution, state legislatures (Houses of Assembly) are unicameral bodies endowed with the power to “make laws for the good governance of the state” (Omoyele, 2011: 8). The membership of each state’s House of Assembly varies, comprised of between 24 and 40 members (three of four times the number of seats the state has in the House of Representatives; 1999 Nigerian Constitution, Chapter 5, Part 2, Section 91). The members of each House of Assembly also nominate and elect from among themselves several leading officers. The Federal Constitution specifically names the Speaker (presiding over the activities of the state legislature, keeping order and decorum, and ensuring House rules are obeyed) and the Deputy Speaker (assisting the Speaker in his/her duties, presiding over the Assembly in the Speaker’s absence) (1999 Nigerian Constitution, Chapter 5, Part 2, Section 92). However, there are provisions allowing state legislators to elect other officers to assist the Assembly in conducting business. Generally, this includes the Majority Leader and Deputy Majority Leader (serving as the chief strategists of the majority party, in charge of government

business and the legislative schedule); the Minority Leader(s) and Deputy Minority Leader (s) (representing the interests of the minority party (or parties)); and the Party Whips (responsible for maintaining decorum during sessions, and ensuring legislators' support for party programs and strategies) (Omoyele, 2011: 22 – 24).

As with the National Assembly, each state legislature “performs three basic functions—law-making, oversight functions, and representation” (Omoyele, 2011: 14; Barkan, 2009). Generally, Houses of Assembly are expected to “make laws with respect to any matter within [their] legislative competence, correct any defects existing law, and expose corruption, inefficiency, or waste in the administration of laws” (Omoyele, 2011: 15).⁵⁶

Second, state legislatures are given the authority to check the other branches of government, and they provide this oversight in several ways. Houses of Assembly control and monitor public funds, such that “No money shall be withdrawn from any public fund of the State, unless the issue of those moneys has been authorized by a Law of the House of Assembly of a State” (1999 Nigerian Constitution, Chapter 5, Part 2, Section 120). Moreover, the Executive is charged with preparing an annual budget, “estimate[ing] revenues and expenditures of the State of the following financial year” (1999 Nigerian Constitution, Chapter 5, Part 2, Section 121). This budget is presented to the House of Assembly to investigate and approve. State legislatures also provide oversight through their power to confirm and approve Executive appointments. This includes “screening and approval of people nominated by the Governor of the State for public offices, such as Commissioners, Chief Judge of the State, and Chairmen and members of statutory bodies or Commissions” (Omoyele, 2011: 16). Conversely, Houses of Assembly also

⁵⁶ Chapter Two: *Devolution of Power and Purview to State and Local Governments* outlines the evolution of sub-national authority, and describes the current areas under state government jurisdiction to make laws.

have the power to conduct investigations of public officials and public complaints. And with their power of impeachment, the Governor, Deputy Governor, and Chief Judge of each State are also subject to investigation and punishment of any misconduct.

Last, in the execution of representation, members of House of Assembly use deliberations and the passage of bills into laws to give expression to the interests of their constituents and the people of the State at large (Omoyele, 2011: 15). Barkan (2009: 7) expands representation to include constituency service. This can include regular visits by legislators to their districts to assist constituents with individual needs. Legislators can also sponsor development projects to provide public services to their district, “including roads, water supply systems, schools, health clinics, and meeting halls.”

Returning to the discussion of representation in my six case-states, I profile each of the legislatures in the six cases. Beginning from Nigeria’s return to democratic governance in 1999 (Fourth Republic), I provide background for each House of Assembly. In particular, I discuss the nature of legislative membership, the committee system, and provide examples areas in which legislators have effectively used their formal powers to make laws. By providing this background information, I explore how state legislatures in the Fourth Republic operate in a re-established federal system and use the constitutional authority they have been granted.

Legislatures in South-West States

Lagos State’s 20 Local Government Areas (LGAs) are divided into 40 constituencies and represented by 40 legislators in the House of Assembly. Lagos’ first legislative assembly in the Fourth Republic convened from 1999 to 2003, in which 37 members belonged to the Alliance for Democracy Political Party (93%). The remaining three members (7%) were part of the All

People's Party. This changed slightly in the second legislative assembly (2003 – 2007), where 39 out of 40 members (98%) belonged to Alliance for Democracy, while one member was a part of the People's Democratic Party (PDP). In 2006, after Alliance for Democracy merged with the Justice Party and the Advance Congress of Democrats to form the Action Congress of Nigeria (ACN), Lagos' third legislative assembly was dominated by the ACN. While 37 members (93%) belonged to ACN, PDP was able to increase their presence to three members (7%) (Omoyele, 2011).

For the purpose of facilitating legislative business, the Lagos State House of Assembly is made up of 34 committees. The Special House Committees “are established by the Rules of the [Lagos State] House to assist in the smooth running of legislative operations.” These seven committees include:

- Selection
- Business, Rules, and Standing Orders
- Ethics, Protocols, and Privileges
- House Services
- State Public Accounts
- Local Government Public Accounts
- Human Rights and Public Petitions

The House Standing Committees are the “means by which the legislature effectively and efficiently carries out its statutory oversight functions of supervising and scrutinizing the activities of the Executive” (Omoyele, 2011: 74). Thus, there is a Standing Committee corresponding with each executive ministry/agency (27). These committees monitor the activities of the agencies and conduct investigations as necessary. Standing committees also analyze bills dealing with issues under the purview of that particular committee. These include:

- | | |
|---|--------------------------------|
| • Agriculture and Co-Operatives | • Commerce and Industry |
| • Central Business Districts | • Economic Planning and Budget |
| • Chieftaincy and Boundary Adjustment Matters | • Education |
| | • The Environment |

- Establishment, Training, Pensions, And Public Service
- Finance
- Health
- Home Affairs and Culture
- Housing
- Information, Strategy, and Security
- Infrastructure
- Judiciary
- Lands
- Local Government Administration
- Physical Planning and Urban Development
- Rural Development
- Science and Technology
- Special Duties
- Tourism and Inter-Governmental Relations
- Transportation
- Waterfront Infrastructure Development
- Women Affairs and Poverty Alleviation
- Works
- Youth, Sports, and Social Development

In terms of legislation, the Lagos State House of Assembly produced 149 different pieces. Breaking this number down, the first legislative assembly (after Nigeria's return to democracy, 1999 – 2003) passed 30 laws. This legislation included measures to modify the local government system, reforms to the state electoral commission, and various allocations for education and judiciary spending. The second legislative assembly (2003 – 2007) more than doubled its productivity, passing 76 laws. These laws focused on establishing commissions to ensure workers' safety, the welfare of disabled persons, and HIV/AIDS management. The second assembly also legislated on issues of road construction and safety, public transportation, reforming the penal code, and public education. The third legislative assembly (2007 – 2011) produced 43 laws by December 2010. Various pieces of legislation created state microfinance institutions, reformed the state judiciary, established a casino/gaming regulatory body, and established/mended traffic laws. Of particular interest is Lagos State's 2009 law "imposing a tax on goods and services consumed in hotels, restaurants and event centers within the territory of

Lagos State.”⁵⁷

Turning to the Oyo State House of Assembly, 33 LGAs are represented by 32 elected officials in the state legislature. In Oyo’s first legislative assembly, post-return to democratic governance (1999 – 2003), 30 out of 32 members (94%) belonged to the Alliance for Democracy Party. The remaining two members (6%) were a part of the PDP. This drastically changed in the second legislative assembly (2003 – 2007): 31 legislators (97%) were members of the People’s Democratic Party and only one (3%) now belonged to Alliance for Democracy. Finally, in the third legislative assembly (2007 – 2011), PDP maintained the majority, though not as big as the previous assembly. 23 out of 32 legislators (72%) were members of PDP, eight were members of the Action Congress of Nigeria, and one was a member of the All Nigeria Peoples Party (Okoosi-Simbine, 2007).

The Oyo State Legislature is made up of 27 Standing Committees:

⁵⁷ Information about the Lagos State House of Assembly’s activities was obtained via archival research and data collection at the Assembly’s library and Clerk’s Office in Ikeja, Lagos (April – June 2011). Due to the nature of the data, information is only available for legislation produced between June 1999 and December 2010.

- Accounts and Appropriation
- Agriculture
- Commerce and Cooperatives
- Culture and Tourism
- Education
- Employment and Labour
- Environment
- Establishment
- Foreign Relations
- Fund Allocation
- Health
- Human Rights
- Information and Orientation
- Investment Monitoring Strategy
- Land and Survey
- Local Government
- Science and Technology
- Security and Strategy
- Solid Minerals
- Special Duty
- Water Resources
- Women Affairs
- Works and Transport
- Youth and Sports

Between 1999 and 2005, the Oyo State House of Assembly passed 70 bills into law. The first legislative assembly (1999 – 2003) passed 40 pieces of legislation. These laws included reforms to primary education, amending pensions for Oyo State employees, and expanding electricity to rural areas of the state. Other measures established a State Housing Corporation, the Ministry of Environment and Water Resources, the State Board for Technical and Vocational Education,, and Urban and Regional Planning Board. From 2003 to 2005, Oyo State legislators passed 30 laws. These bills involved the creation of a State Agency for Youth Development, the state Road Maintenance Agency, the state’s Independent Electoral Commission (SIEC), and the Ministry of Information and Culture. Legislators also made reforms to the State College of Nursing and Midwifery and the Oyo State College of Education (Okoosi-Simbine, 2007).⁵⁸

The Ekiti State House of Assembly is made up of 26 members, representing the state’s 16 LGAs divided into 26 constituencies. In Ekiti’s first legislative assembly, post return to democracy, 22 out of 26 members 85% belonged to the Alliance for Democracy Party (AD).

⁵⁸ In addition to secondary sources (cited in text), information about the Oyo State House of Assembly’s activities was obtained via archival research and data collection at the Assembly’s library and Clerk’s Office in Ibadan, Oyo (June 2011). Due to the nature of the data, information is only available for legislation produced between June 1999 and December 2005.

Three legislators were a part of the People's Democratic Party (PDP, 11%), while one member belonged to the All People's Party (4%). The second legislative assembly experienced a dramatic shift in membership, as PDP became the dominant party. In fact, 24 out of 26 members of this assembly belonged to PDP (92%). Now, one legislator was elected from the AD Party (4%), while one member was a part of the National Conscience Party (4%). In the beginning of Ekiti's third legislative assembly, 14 members belonged to PDP (54%), while 12 legislators were a part of the Action Congress of Nigeria (ACN, 46%). However, during the legislative session, Honourable Adebayo Morakinyo switched from PDP to ACN, creating a 50-50 split between the two parties in the House of Assembly.

The Ekiti State legislators also divide themselves among 27 committees in order to conduct business. They are as followed:

- Selection
- Fund Management and Self-Accounting Law
- HIV/AIDS
- State Independent Electoral Commission and Other Agencies
- Environment, Lands, and Housing
- Works and Transport
- Public Petitions
- Due Process, Millennium Development Goals (MDGs), and Multilateral Relations
- Governor's Office and Government House
- Finance and Appropriation
- Education, Science, and Technology
- Rule and Business
- Public Accounts
- Local Government and Chieftaincy Affairs
- Health and Human Services
- Ethics, Privileges, and Constitutional Review
- Public Utilities and Infrastructures
- Women Affairs and Social Development and Gender Equality
- House Service
- Agriculture and Rural Development
- Information and Civic Orientation
- Physical, Urban, and Regional Planning
- Public Service Matters, Employment, and Human Capital Development
- Judiciary and Legal Matters
- Commerce, Industry, and Cooperatives
- Anti-Corruption
- Culture, Arts, and Tourism

Between 1999 and 2010, the Ekiti State House of Assembly produced and passed 90 pieces

of legislation. The first legislative assembly (1999 – 2003) passed 29 bills, including reforms to the state electoral commission and local government administration. In addition to appropriation bills, laws were passed creating a poverty alleviation agency, a waste management authority, Council of Traditional Rulers, and a road works agency. During this period, legislators also passed bills to protect the rights of widows and prohibit female circumcision and genital mutilation. The second legislative assembly (2003 – 2007) passed 23 laws, including those to build, manage, and coordinate roads (especially in rural areas), amend state electoral law, and reform local government administration law. Legislation was also passed to establish a state education board, abolish secret religious cults, and provide funding for environmental health and sanitation matters. By the end of 2010, the third legislative assembly (2007 – 2011) had already produced 38 laws. Different bills regulated community watch groups, the University of Ado-Ekiti, as well as state micro-credit. Legislators also used laws to establish the Job Creation and Employment Agency, the Community and Social Development Agency, and Emergency Management Agency. Moreover, bills passed during this time provided for the House of Assembly's fiscal autonomy, allocated funds to protect the rights of persons with disabilities, and also manage the creation and distribution of birth and death certificates.⁵⁹

Overall, laws passed in these South-West legislatures were for the purpose of regulating and funding government activities. However, the bills produced by these Houses of Assembly also aimed to build and manage various public services, while protecting the rights of typically vulnerable groups (e.g. children, widows, disabled persons). Table 4.12 compares the number of laws passed in Lagos, Oyo, and Ekiti States between 1999 and 2010. Data for Oyo State are

⁵⁹ Information about the Ekiti State House of Assembly's activities was obtained via archival research and data collection at the Assembly's library and Clerk's Office in Ado, Ekiti (May 2011). Due to the nature of the data, information is only available for legislation produced between June 1999 and December 2010.

only available between 1999 and 2005, so we cannot fully compare across all three legislative assemblies. However, if we consider the first two assemblies (June 1999 – May 2003), Oyo State Legislature passed the most bills (40). During the same time, Lagos passed 30 bills into law, while Ekiti State passed 29. In the second assembly, legislators in Lagos passed 76 laws; Ekiti State legislature was only able to pass 23 bills (June 2003 – May 2007). Between June 2003 and December 2005, Oyo State had already passed 30 laws. If we focus on Lagos and Ekiti States (where there is data until December 2010), Lagos had a slightly more productive third assembly, passing 43 bills compared to 38 in Ekiti State. But due to increased productivity in earlier assemblies, Lagos is overall the more productive: in this time (1999 – 2010), the Lagos State House passed 149 bills into law, while Ekiti State legislators passed 90.

Legislatures in North-West States⁶⁰

Turning to the case-states in the North-West Region, I begin with the Sokoto State House of Assembly. Sokoto's 23 LGAs form the 30 constituencies represented in the state legislature. In the third legislative assembly after Nigeria's return to democracy (2007 – 2011), the PDP dominated the House's membership: 22 out of 30 members (73%) belonged to this party. The other 8 legislators (27%) were part of the Democratic People's Party.

Sokoto's House of Assembly is comprised of 30 Standing Committees, which execute legislative duties. They include the following:

⁶⁰ Unfortunately, in the course of conducting archival research in the North-West cases, I was only able to obtain information about legislative membership and productivity for the third legislative assembly (2007 – 2011) in Sokoto, Kano, and Katsina Houses of Assembly.

- Selection
- Rules and Business
- Public Accounts
- House Services/Ethics and Privileges
- Public Petitions
- Finance and Appropriation
- Education
- Health
- Works and Transport
- Agriculture
- Information
- Commerce, Industry, and Tourism
- Judiciary
- Local Government and Community Development
- Lands and Housing
- Science and Technology
- Women Development
- Public Service Matters
- Religious and Chieftaincy Affairs
- Rural Development
- Urban Development
- Emergency Relief and Disasters
- Multilateral Agencies
- Social Welfare, Sports, and Culture
- Special Services
- Youth Empowerment and Career Development
- Solid Minerals and Petroleum Resources
- Environment
- Poverty Alleviation and Economic Development
- Water Resources

During its tenure, the third assembly of the Sokoto State Legislature passed 36 bills into law. In their first session (June 2007 – May 2008), legislators passed six laws, including those to provide pensions for state employees and restructuring the administration of local governments. The Sokoto State House was able to pass 12 laws during its second session (June 2008 – May 2009), making it the most productive. In addition to establishing a College of Agriculture and Animal Science and reorganizing the state judiciary, the legislature also passed the Sokoto State Board of Internal Revenue Law. As previously discussed, this law formalized the state revenue service's autonomy and authority to collect taxes, pursuing and punishing evaders to that end. During the third session (June 2009 – May 2010), the state legislature produced eight bills, establishing agencies such as the Sokoto State Agency for the Control of AIDS, the Sokoto State Emergency Management Agency, and the Primary Health Care Development Agency. Finally, in the third assembly's last session (June 2010 – May 2011), the Sokoto House passed 10 laws. These included a bill to establish a State College of Nursing Sciences and various bills suggesting

amendments to the 1999 Federal Constitution.⁶¹

Considering the Kano State House of Assembly, the state's 44 LGAs are divided and represented by 40 legislators. The membership of the third legislative assembly, convened between 2007 and 2011, was made up of members representing the All Nigeria People's Party (ANPP) and PDP. 25 out of 40 members (63%) belonged to ANPP, while the remaining 15 legislators (37%) were part of PDP.

In order to perform their legislative and oversight functions, Kano State legislators divide themselves into 32 standing committees:

⁶¹ Information about the Sokoto State House of Assembly's activities was obtained via archival research and data collection at the Clerk's Office in Sokoto (City), Sokoto (June 2011). Due to the nature of the data, information is only available for legislation produced between June 2007 and May 2011.

- Pension Funds
- Agriculture and Natural Resources
- Judiciary
- Higher Education
- Monitoring
- Environment
- Guidance and Counseling
- Religious Affairs
- Information
- Ethics and Privileges
- Public Accounts
- Public Service
- Emergency Management
- Appropriation
- Rural and Community Development
- Primary Education
- Works and Transport
- Land and Physical Planning
- Housing
- Science and Technology
- House Services
- Health
- Finance and Economic Development
- Hajj
- Security
- Public Petitions
- Commerce and Industry
- Youth and Sport
- Women Affairs
- Water Resources
- Local Government and Chieftaincy
- Education

During its tenure, Kano's third assembly passed 36 pieces of legislation. In the first session (June 2007 – May 2008), legislators passed 13 bills, including various appropriation laws and reforms to the local government administration. Laws that were produced also enacted a pension fund for state employees and created an Emergency Relief and Rehabilitation Agency. During the second session (June 2008 – May 2009), nine bills were passed. These bills focused on funding various local government efforts, including those to improve the power sector. Moreover, in this session legislators passed a measure to create the Kano State Drugs and Medical Consumables Supply Agency. In the third session (June 2009 – May 2010), legislators passed eight laws, including the Kano State Revenue Administration Law. This law aimed to strengthen and professionalize the Kano State Internal Revenue Board, while optimizing the collection of taxes. Finally, in the fourth session (June 2010 – May 2011), the third assembly passed six laws, including proposals for amendments to the federal constitution, executive

appropriation bills, and a bill to establish the Sa'adatu Timi College of Education and Law.⁶²

Last, in the Katsina State House of Assembly, 34 legislators represent the 34 Local Government Areas. During the third legislative assembly, the People's Democratic Party (PDP) dominated the Katsina State Legislature, with 28 out of 34 members (82%). Three out of 34 legislators (9%) were members of the Congress for Progressive Change Party, two members (6%) were a part of the All Nigeria People's Party, while one legislator (3%) was a member of the Action Congress of Nigeria.

Katsina legislators divide themselves between 30 Standing Committees in order to perform their legislative and operational duties:

⁶² Information about the Kano State House of Assembly's activities was obtained via archival research and data collection at the Clerk's Office in Kano (City), Kano (March 2011, July 2011). Due to the nature of the data, information is only available for legislation produced between June 2007 and May 2011.

- Religious Affairs
- Agriculture
- Local Governments
- Commerce and Industries
- Water Resources
- Education
- Information
- Justice and Judiciary
- Lands and Environment
- Administration
- Millennium Development Goals, Community, and Social Development
- Security and Intelligence
- Inter-Parliamentary
- Multilateral and Donor Agencies
- Roads Maintenance
- Habitat and Emergency Relief
- Public Petitions
- Public Accounts
- Anti-Corruption
- Finance
- Appropriation
- House Services
- Business, Rules, Ethics, and Privileges
- Science and Technical Education
- Higher Education
- Primary Health
- Agricultural and Rural Development Authority
- Farmer's Supply
- Rural Electricity

Between 2007 and 2010, Katsina's third legislative assembly passed 30 bills into law. In their first session (June 2007 – June 2008), legislators passed eight laws. These included measures to reform public employee pension plan and public education (e.g. creation of the Secondary School Education Board). During the second session (July 2008 – June 2009), legislators in the Katsina State House passed nine laws, including the creation of the Roads Maintenance Agency, a Sanitation Monitoring Committee, and a Community and Social Development Agency. In the third session (July 2009 – June 2010), legislators passed an additional nine bills. These laws focused on reforms to the state penal code, environmental protection standards, and the administration of local governments. During this period, the Katsina State House also established a state micro-finance institution, a Religious Education and Preaching Board, and a state Agency for the Control of AIDS. Between July 2010 and December 2010 (the beginning of the fourth session), legislators passed six bills into law. These concentrated on the creation of a Child Rights Law, amendments to the state electoral laws, and

establishing an Urban and Regional Planning Board.⁶³

Like in the South-West, the North-West legislatures passed bills focused on government appropriations (e.g. executive branch, judiciary, local government). However, several laws created new institutions for the purpose of improving public service provision (emergency relief, education, roads, urban planning, drug administration/health care). In terms of productivity, Table 4.13 compares the number of bills passed by the Sokoto, Kano, and Katsina State Legislatures during the tenure of the third legislative assembly. Since data are only available for the first six months of Katsina's fourth session, it is difficult to compare the three states' overall productivity. However, if we look at the first three sessions (June 2007 – May 2010), we see the Kano State House passed the most bills (30). In this same period, Sokoto and Katsina State Legislatures each passed 26 laws. If we focus on Sokoto and Kano (where there is data for all four sessions), we observe Sokoto had a more productive fourth session (passing 10 bills, compared to Kano's six). As a result, Sokoto and Kano tied in productivity: in this time (2007 – 2011), both state legislatures passed 36 bills into law.

Having profiled the legislatures and the legislative productivity in the six cases, I return to my initial hypothesis:

Hypothesis: At higher levels of tax generation capacity, Nigerian legislators will be more likely to represent their constituents.

In order to test this hypothesis, I rely on data from interviews conducted with state legislators in the six case-states during fieldwork in Nigeria (October 2010 – July 2011). In the next section, I describe sampling procedures, provide summary statistics about the sample of

⁶³ Information about the Katsina State House of Assembly's activities was obtained via archival research and data collection at the Clerk's Office in Katsina (City), Kano (June 2011). Due to the nature of the data, information is only available for legislation produced between June 2007 and October 2010.

legislators, and outline the research design.

Research Design: Revenue and Elite Perceptions of Representation

Table 4.14 presents a summary of the sampling procedures. The total population of legislators in the six selected cases is 202. Ideally, I would have included all 202 legislators in the sample; however, given limited research resources, the maximum feasible sample size was $n = 101$.⁶⁴ These 101 legislators resulted from including 50% of each state's legislature in the sample. This broke down to: 20 legislators in Lagos, 16 legislators in Oyo, 13 legislators in Ekiti, 15 legislators in Sokoto, 20 legislators in Kano, and 17 legislators in Katsina. By maintaining proportionality, sampling legislators in proportion to the total size of each legislature, findings from the analysis can be generalized to the larger population of legislators in the six cases. Moreover, with around 100 legislators, I am able to use percentages to summarize and characterize the sample.

In addition, I made the selection of legislators as random as possible, whereby each legislator had an equal chance of being included in the sample. This way, I could avoid systematic bias between elites I interviewed and those I did not. For example, since I conducted interviews during an election season, it was possible that legislators involved in an intense or competitive campaign were absent from the House of Assembly, instead spending time in their constituency. Thus, when I arrived at each state legislature, I first obtained a list of legislative members from the Office of the Permanent Secretary/Clerk of the House. Using that list, I assigned each legislator a unique number. With a table of random numbers generated that day, I

⁶⁴ As the principal investigator, I conducted all interviews myself. Nigeria held state elections on April 23, 2011. As a result, my interviews were conducted in the midst of an election season where legislators were spending less time at the State House of Assembly, instead, campaigning in their local constituency.

serially selected two-digit, consecutive random numbers from the list.⁶⁵ If the two-digit number matched one of the legislators' numbers, I added that legislator to my sample. I continued until I selected enough legislators to fulfill the sample size in the particular state in question. For example, in Lagos State, there were 40 legislators; therefore, the sample size was 20. When I obtained the list of legislators from the Lagos State House Clerk, I assigned each legislator a unique number between one and 40. Using a table of random numbers, I matched the two-digit random numbers from the list to any corresponding legislators' numbers. I continued until 20 legislators were selected for my sample. I utilized these same procedures in the other five legislatures.

Tansey (2007) identifies elite interviews as a useful tool for establishing "attitudes, values, and beliefs...[and for making] inferences about a larger population's characteristics and decisions." With that said, scholars also acknowledge that legislators can be "reluctant respondents." This literature provides several tools for ensuring validity and reliability of elite responses (Dean and Whyte, 1970; Aberbach, Chesney, and Rockman, 1975; Berry, 2002; Leech and Goldstein, 2002; George and Bennett, 2005). When drafting questions for legislative interviews, I used open-ended/grand tour questions, which have been identified as "potentially the most valuable type of elite interviewing in more politically unstable environments" (Berry, 2002: 679). Open-ended questions afforded the best opportunity to let respondents identify the relevant and important issues. In addition to original, open-ended questions, I replicated questions from the African Legislatures Project and the Afrobarometer survey instruments. Doing this allowed me to make use of questions that have already been tested in the field and found to be successful in gathering information from potentially unreliable respondents.

⁶⁵ Tables of random numbers were generated using the following website:
<http://stattrek.com/statistics/random-number-generator.aspx> .

Furthermore, by using more structured and closed-response questions, I was able to somewhat dictate the direction of the interview. This also ensured that legislative responses could be systematically compared to each other for analysis.⁶⁶

With the survey, I sought data about legislators' demography (e.g. age, ethnicity, education, gender), their activities while they were members of their House of Assembly, legislators' opinions about their relationship to constituents, and their law-making/decision-making process.

The full survey/interview instrument was submitted to and approved by Michigan State University's Institutional Review Board. Before conducting each legislative interview, I provided respondents with a consent form, which briefly outlined the research project and the purpose of the interview. I assured each respondent that his or her responses would be kept strictly confidential. I did not write the legislators' names on the questionnaires, and I assured them that their names would never be linked with their responses. I also assured respondents that they were free to refuse participation, and once we started, he or she was free to answer each question openly. Finally, I provided legislators with my contact information, as well as that for the chair of my dissertation committee (Dr. Michael Bratton) and the Michigan State University IRB. They would be free to express any questions or concerns, and inquire a more complete list of their rights as a research participant.⁶⁷ After reading and discussing the consent form and any questions or concerns, respondents verbally indicated their agreement to conduct the interview.

⁶⁶ See Appendix for the list of complete survey questions.

⁶⁷ See Appendix for the full Consent Form.

Each legislative interview took between 30 and 35 minutes to complete.⁶⁸ Repeated calls ensured random selection of legislators.

Summarizing the Legislators: Describing Demographic Factors

Beginning with a description of the sample's various demographic attributes provides useful descriptive information. Legislators in the six-state sample range from 33 to 63 years of age (Table 4.15). While the mean legislator is 47 years old, legislators in Lagos State are, on average, the oldest at 49 years old. On the other hand, Sokoto State legislators are, on average, the youngest at 44 years old.

In terms of gender, 96% of the legislators are male, while 4% are female (Table 4.16). In Ekiti, Kano, Katsina, and Sokoto Houses of Assembly, 100% of legislators are male. However, in Lagos State, three out of 20 legislators are female; in Oyo State, one out of 16 legislators are female. Even though women, on average make up between 48% and 50% of the population in these six states, we can see that females are severely under-represented in these state legislatures.⁶⁹

Considering ethnicity, 48% of legislators are Yoruba, while 51% are from the Hausa-Fulani, ethnic group (Table 4.17). All legislators in Kano, Katsina, and Sokoto (North-West) are Hausa-Fulani. Similarly, all of the legislators included from the Ekiti and Oyo State Houses are Yoruba. In the Lagos State Legislature, 19 out of 20 legislators are Yoruba, while one legislator is from the Ogu (Egun) ethnic group. We can see that these state legislatures in both regions are

⁶⁸ Interviews were conducted with members of the third legislative assembly in each of the State Houses (2007 – 2011 term).

⁶⁹ This statistic is from a 2006 report from the Nigerian National Bureau of Statistics, entitled Women and Men in Nigeria: Facts and Figures.

relatively ethnically homogenous.

Referring to Table 4.18, we see 66% of legislators affiliate with the Muslim religion, while 33% characterize themselves as Christians. Officials from Kano, Katsina, and Sokoto States (North-West) are all Muslim. 13 out of 13 Ekiti State legislators are Christian. However, in the Lagos State Assembly, 11 out of 20 legislators identify as Christians, while eight out of 20 are Muslim. Likewise, nine out of 16 Oyo State legislators are of the Christian faith, and the remaining seven identify Islam as their religious affiliation.

37% of legislators have completed a post-graduate degree (e.g. Master of Business Administration, Master of Public Administration; Table 4.19). For 31% of legislators, the highest level of education completed is a bachelor's degree (or equivalent). 17% of legislators have completed post-secondary school training and/or an advanced diploma. The remaining 15% have completed secondary school. In the South-West, 13 out of 14 Ekiti State legislators (93%) have completed at least a bachelor's degree. In Lagos State, 18 out of 20 (90%) have attained a university degree (or more), while in Oyo State, this number is 14 out of 16 (88%). In the North-West Region, 11 out of 15 state legislators (73%) have completed a bachelor's degree or more. In Kano State, 9 out of the 20 officials (45%) at least completed university, while in Katsina State, 5 out of 17 (29%) attained a bachelor's degree or higher.

Moving to legislators' prior occupational experiences, we see the majority of officials were business people (26%), civil servants (23%), or local councilors (21%) before joining the State Houses of Assembly (Table 4.20). Other occupations include: commercial farmers (7%); other professionals (e.g. doctor, engineer, 6%); teachers/head maters (5%); supervisors/mid-level managers (4%); bankers (3%); university lecturers (2%); lawyers, accountants, general managers, and journalists (1% each).

Finally, turning to the number of years in legislative office, officials have been members of their respective State Houses for a minimum of two years and a maximum of 12 (Table 4.21). The average legislator has held his or her position for five years. On average, Lagos State legislators have held office for the longest, at a mean of 6 years. On the other hand, legislators in Oyo, Ekiti, and Katsina States have, on average, spent the least time in the legislature, holding only one four-year term.

Dependent Variable: Elite Perceptions of Representation

As previously stated, I hypothesize legislators in states that generate more income from non-oil taxes will be more representative of their constituents. To also reiterate, representation is the process whereby elected officials gauge, deliberate upon, and incorporate citizen interests in the execution of decisions and policy (Pitkin 1967, 1969; Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999). In the performance of their representative duties, politicians must prioritize their constituents' preferences. Thus, when operationalizing elite perceptions of representation, I utilize seven indicators. These variables separately measure the extent to which an individual legislator believes his or her representative function and constituents' opinions and interests take precedence over other considerations.

The first indicator measures a legislator's evaluation of how effective their state House of Assembly does with representing constituents. Specifically, the item asks, "how well or badly would you say the State Assembly is doing its job of representing constituents?" Respondents can answer with the following: "very bad, bad, good, or very good." A second indicator asks

this question, but specifically about “representing women’s interests.”⁷⁰

The third variable I use to measure representation is legislators’ self-report of the percentage of time he or she engages in constituency work (out of 100% of their time, and in comparison to time spent doing plenary work, committee work, party work, and—if they have one—their other job).⁷¹

A fourth indicator is a dummy variable measuring whether a legislator believes “representing their constituents’ views in parliament” and performing constituency services (e.g. bringing development to his/her constituency, assisting constituents with their personal problems, and soliciting funds for his/her constituency) are “the most important part of being a member of the State Assembly.”⁷²

A fifth indicator is also a dummy variable that captures “in general, when [he/she] takes a position about an issue in the State Assembly” how much of a priority is a legislator’s

⁷⁰ “I want you to rate the effectiveness of the State Assembly like a score card. For each of the following areas, how well or badly would you say the State Assembly is doing its job?” Representing constituents? Representing women’s interests? 1=Very bad, 2=Bad, 3=Good, 4=Very good.

⁷¹ “What percentage of your time is devoted to each of the following:” Plenary work? Committee work? Constituency work? Party work (outside your constituency)? Your other job (including ministerial work)? PERCENTAGES SHOULD TOTAL TO 100%.

⁷² “In your opinion, which of these following jobs is the most important part of being member of the State Assembly?” 0=Debating bills and passing laws, 0=Making public policy by writing laws, 0=Overseeing the executive, 1=Representing constituents’ views in parliament, 1=Bringing development to your constituency, 1=Assisting constituents with their personal problems, 1=Soliciting funds for your constituency.

²⁵ “In general, when you take a position about an issue in State Assembly, which of the following is most important? 0=The views of your party leader, 0=The views of your party, 0=The national interest, 0=Your knowledge about the issue, 0=Your personal convictions, 1= The views of your constituents.

constituents' views? This is in comparison to other considerations.⁷³ The sixth variable asks specifically about legislators' opinions of "what MPs should (generally) do if there is a conflict between their party's position and the views of their constituents."⁷⁴

The last measure of elite representation asks legislators what should happen if "a member of the State Assembly ignores what his/her constituents have to say." Should he/she remain in office or lose their seat in the next election?⁷⁵

These seven indicators each gauge the importance a given legislator places on executing representative functions and prioritizing his/her constituents' preferences.

Independent Variable: State Tax Dependence

The key explanatory variable in this analysis is state tax generation: that is, the percentage of total state revenue derived from taxes on citizens. To capture this, I include a variable for taxes as a percentage of state income in 2009 (this is the most recent data available). I also use average tax dependence variable, which represents the mean value of taxes as a portion of state government revenue between 1999 and 2009. I utilize both of these measures in an attempt to capture both proximate and longer-term effects of tax reliance on shaping legislators' incentives and choices. I expect a positive relationship between elite perceptions of representation and state

⁷⁴ "What should MPs do if there is a conflict between their political party's position and the views of their constituents?" 0=Support the party position 0=Abstain from voting, 1=Oppose the party position.

⁷⁵ "If an Member of the State Assembly ignores what his/her constituents have to say, do you think that he/she would still remain in office or lose the next election?" 0=Remain in office, definitely, 0=Remain in office, probably, 1=Lose their seat, probably, 1=Lose their seat, definitely.

reliance on tax revenue. It follows that legislators in states that generate more income from non-oil taxes on citizens (e.g. Lagos and Sokoto States) will be more likely to identify representation and constituency service as their job priorities. As Timmons (2005: 531) argues, in these tax-reliant states, officials face “strong incentives to provide benefits to maintain the source of revenue [that taxes on citizens provide].” These benefits manifest in how legislators establish their representative duties as precedence. This also includes placing constituents’ interests ahead of other considerations when making policy decisions (Bates and Lien, 1985; Levi, 1988). Based on this reasoning (returning to the dependent variables), I expect legislators in tax-reliant states will be more likely to:

Ha: rate their State House of Assembly as being highly effective in representing constituents.

Hb: rate their State House of Assembly as being highly effective in representing women’s interests.

Hc: indicate a greater percentage of their time is spent on constituency work.

Hd: identify representation and constituency services are the most important part of being a member of the State Assembly.

He: report that the views of their constituents are the most important consideration when taking a position about an issue.

Hf: oppose their party position if there is a conflict with the views of their constituents.

Hg: believe that if a Member of the House of Assembly ignores their constituents’ views, he/she should lose their seat in the next election.

Analysis and Results: Tax Reliance and Elite Execution of Representation

Preliminary Analysis of Correlation

Given the small sample size, I rely on a preliminary analysis of scatterplots and correlation to test the aforementioned hypotheses. First, I separate the 101 legislators by state. In each of the six clusters of legislators, I calculate the average value for each indicator of representation (seven). I then plot the average value of the dependent variables against each state's average tax reliance between 1999 and 2009 (explanatory variable 1) and the percentage of state income derived from taxes in 2009 (explanatory variable 2). According to my hypotheses, legislators from states that generate higher rates of income from taxes should express attitudes that prioritize representation and constituency services. In other words, I expect a positive relationship between elite perceptions of representation and state tax reliance. Figures 4.5 through 4.18 present the results.

Generally, there is a weak relationship between state tax capacity and how legislators rate the effectiveness of their state legislature in representing constituents (Figures 4.5 and 4.6). Though the line of best fit moves in a positive direction (as hypothesized), the six data points are scattered widely. Moreover, a Pearson's coefficient reveals a weak correlation between elite perceptions of how well their House of Assembly represents constituents and average tax generation ($r = 0.43$). The correlation between ratings of the state legislature and state tax reliance in 2009 is even weaker ($r = 0.26$). Average tax generation accounts for 18% of variation in elite perceptions of how well their state legislature represents constituents ($r^2 = 0.18$). State tax capacity in 2009 only accounts for 7% of the variation ($r^2 = 0.07$). Thus, there is a weak positive relationship between reliance of tax income and elite views of how effective their state legislature represents constituents.

On the other hand, elite views of how effective the state legislature represents women has a strong and positive relationship with states' capacity to extract taxes (Figures 4.7 and 4.8). A Pearson's coefficient confirms the strength of this correlation: legislators' views of how well the House of Assembly represents women is positively related to average tax generation ($r = 0.87$). These perceptions positively related to state tax reliance in 2009 ($r = 0.94$). Moreover, a state's average tax generation (1999 – 2009) explains for 76% of variation in elite perceptions of how effective the state legislature represents women ($r^2 = 0.76$). The portion of state income generated from taxes in 2009 also accounts for 88% of the variation ($r^2 = 0.88$) in legislators' ratings. This strong, positive relationship supports the hypothesis that legislators in tax-reliant states are more likely to rate their State House of Assembly as being effective in representing women's interests.

The remaining five indicators of elite representation reveal a similar robust and positive relationship with state tax capacity. According to Figures 4.9 and 4.10, there is a positive relationship between states that generate more income from taxes between 1999 and 2009 and legislators who report spending a greater percentage of their time engaged in constituency work ($r = 0.75$, $r^2 = 0.56$). There is also a positive relationship whereby elites from states that report a greater capacity to extract taxes in 2009 are also more likely to claim that they spend more time doing directing serving their constituents ($r = 0.97$, $r^2 = 0.94$).

There is a strong, positive link between states that generate more of their average income (1999 – 2009) from taxes and state legislators that are more likely to identify representation and constituency work as their most important job ($r = 0.78$, $r^2 = 0.61$) (Figure 4.11). Similarly, legislators from a state that was more tax reliant in 2009 tend to report representation as a

legislator's primary concern (Figure 4.12; $r = 0.96$, $r^2 = 0.92$). Legislators from states with a high capacity to generate tax income (1999 – 2009) also report that their constituents' views are the most important consideration when making decisions (Figure 4.13; $r = 0.73$, $r^2 = 0.53$). This positive relationship is even stronger when considering state tax generation in 2009 (Figure 4.14; $r = 0.93$, $r^2 = 0.86$). State tax reliance in 2009 accounts for 86% of the variation in whether elites identify constituents' views as the most significant concern in their decision-making.

A legislator from a state that is (on average) a strong generator of tax income is more likely to report that, given a conflict between the views of her political party and her constituents, she would oppose her party ($r = 0.64$, $r^2 = 0.41$) (Figure 4.15). There is also a positive relationship between state tax reliance in 2009 and the likelihood legislators will choose their constituents' views over their party's position when making policy (Figure 4.16; $r = 0.89$, $r^2 = 0.79$). Finally, a state's tax capacity (evidenced by the percentage of income between 1999 and 2009 derived from taxes on citizens) is positively related to the likelihood that legislators will articulate that officials who ignore their constituents should lose their seats (Figure 4.17; $r = 0.80$, $r^2 = 0.64$). Similarly, legislators from states that were strong tax generators in 2009 are also more likely to report this opinion (Figure 4.18; $r = 0.86$, $r^2 = 0.74$).

Taken together these scatterplots and analyses of correlation support my initial hypotheses. There is a positive relationship between a state's reliance on income from taxes on citizens and various indicators of state legislators' perceptions of representation. This preliminary analysis lends support to the assertion that elected officials in states with a strong tax capacity are more likely to report prioritizing representation and constituency services.

Given this initial finding of a positive relationship, I now employ a more rigorous test of the hypotheses.

While the various elite representation variables are measured at the level of the individual legislator, the two indicators of state tax reliance (explanatory variables) are measured at the state (group) level. In order to perform a more robust analysis, I rely on hierarchical linear modeling (HLM). Since the legislators included in my sample are clustered by state, and tax dependence is measured at the state level, legislative attitudes and behaviors (within a state) are likely correlated. This violates the OLS assumptions of the independence of observations and homogenous distribution of variance. With this type of data, “OLS regression would not produce correct standard errors; therefore, HLM needs to be used. It takes the issue of correlated errors into consideration and provides more realistic and conservative statistical testing” (Kaz, 2005). Moreover, though HLM parameter estimates rely on maximum likelihood instead of least squares, parameters are not “drastically different from OLS...However, standard errors would be larger for HLM, as HLM considers sources of errors more rigorously than OLS” (Kaz, 2005; Shamosh and Farach, 2007).

In order to isolate the effect of state tax dependence on legislators’ attitudes and behavior toward representation, I include two other control variables. I use the number of years a legislator has been a member of the State House of Assembly as a control variable.⁷⁶ I expect a positive relationship between legislators’ total years in office and their willingness to prioritize representation duties. As an official spends more time as a member of the legislature, he/she gain more experience in interacting with constituents, gauging preferences, problems, or interests

⁷⁶ “How many total years have you been a member of the State Assembly?” The variable is given in years.

and acting upon them.

I also include a measure of party affiliation, specifically, whether the legislator in question is a member of the majority party in his/her state legislature.⁷⁷ Particularly, with rating his/her Assembly's effectiveness in representing constituents, a legislator in the majority party could perceive a more favorable evaluation than legislators in the opposition.

Taken together, this results in the following model specification:

Elite Representation = $a + b_1$ (Average % Taxes) + b_2 (2009 % Taxes) + b_3 (Years in Office) + b_4 (Member of Majority Party).

"Elite Representation" is operationalized using the seven afore-mentioned dependent variables.

This results in seven separate analyses.⁷⁸ The average tax reliance variable is captured by the mean value of taxes as a portion of state government revenue between 1999 and 2009. I also use taxes as a percentage of state income in 2009 as a key independent variable.

For the six analyses, where the dependent variables are binary, dummy variables (Ha, Hb, Hd, He, Hf, Hg), I utilize multi-level mixed effects logistic regression. For the remaining analysis where the dependent variable is continuous (percentage of time legislator's report doing constituency work, Hc), I use multi-level mixed effects linear regression. I execute these analyses with STATA 12.0 with clustered robust standard errors (clustered by the six case-states).

⁷⁷ This is measured as a dummy variable, where a respondent will receive a value of 1 if he/she is a member of the majority party in their state legislature and a 0 otherwise. In the case of Ekiti State, where membership is evenly divided between two parties, all respondents receive a value of 0 because neither party is a majority.

⁷⁸ I restructure legislators' ratings of the House of Assembly's effectiveness in representing constituents and representing women (originally ordinal variables) as a binary dummy variable (very bad/bad = 0; very good/good = 1).

Multi-Level Analysis of Elite Representation and Revenue

Tables 4.22A and 4.22B present the results of the seven analyses investigating the relationship between Nigerian legislators' perceptions of representation and tax revenue dependence. Since my sample size is small ($n = 101$), in order to avoid false precision, I only present the coefficients to demonstrate the directionality of the relationships and whether the results support my hypotheses. In terms of substantive interpretation of the HLM coefficients, I will discuss the broad trends.

Evidence confirms the expectations outlined in this chapter: there is a positive relationship between increased state tax reliance and legislators from those states prioritizing representation and constituent preferences. Elected officials in states with a greater capacity to extract tax income also express attitudes that prioritize representation of citizens and constituency service. Furthermore, across multiple measures, as hypothesized, the positive relationship between representation and higher rates of government tax generation endures.

Turning to the first column in Table 4.22A, we see both measures of state tax dependence exert a positive influence on legislators' evaluation of their State Assembly's ability to represent constituents. With that said, neither coefficient is statistically significant at the 90% level. However, this lack of significance could be a result of minimal variation in this particular variable. Most legislators believe their House of Assembly is doing a good/very good job of representing constituents. In fact, in this sample, 93% of legislators (irrespective of state and region) believe their State Assembly is doing a good or very good job of representing constituents. However, with a larger sample, I would anticipate the positive relationship between higher levels of state tax generation and elite execution of representation (measured with legislative ratings of the legislature's effectiveness) would meet the significance threshold.

Additionally, legislators from the majority party are more likely than minority members to report that their state legislature is effective in its representation function ($b = 0.1$).

When considering legislators' evaluations of the legislature's success in representing women, we observe a significant and positive relationship (column 2). State average tax generation is positively related to officials' evaluation of the state legislature ($b = 0.045$). Furthermore, a state's tax reliance in 2009 is also positively linked to legislators' rating of the State Assembly's ability to represent women ($b = 0.026$). Elected officials in states that generate higher portions of income from taxes on citizens are more likely to rate the state legislature as effective in representing women.

As hypothesized, legislators in more tax-reliant states report spending a greater percentage of their time conducting constituency service (column 3). As a state's average tax income increases, the likelihood legislators report spending more time doing constituency work also increases ($b = 0.105$). Similarly, as in states that generated more of the 2009 revenue from taxes on citizens, legislators are also indicate spending more time engaged in constituency work ($b = 0.269$).

Looking now at Table 4.22B, we see state tax generation (both measures) also exerts a strong, positive influence on the likelihood a legislator will indicate "representing constituents' views in parliament" or some form of constituency service as a legislator's most important job (column 4). Both the average tax income variable ($b = 0.047$) and a state's 2009 income from taxes ($b = 0.043$) exert a positive influence. Legislators in tax-reliant states are more likely than their counterparts in other states to choose representation as their primary job.

When making decisions, legislators in tax-reliant states are more likely to designate the views of their constituents are their most important consideration (column 5). As a state's

average tax reliance ($b = 0.043$) and 2009 tax income generation ($b = 0.095$), the probability legislators will prioritize constituents' views in decision-making also increases.

In the event of a conflict between a legislator's political party position and his/her constituents' views, officials in more tax dependent states are more likely to oppose their political parties (column 6). Average tax generation ($b = 0.076$) and tax as a portion of state revenue in 2009 ($b = 0.086$) share positive and significant relationships with the likelihood legislators will choose to represent their citizens' preferences, even if those preferences differ from the party position.

Finally, legislators in states that generate more income from taxes are report that a member of the State Assembly should lose their seat if he/she ignores what his/her constituents have to say (column 7). Evidence suggests a positive relationship between a state's average percentage of tax generation ($b = 0.092$) and state tax reliance in 2009 ($b = 0.093$) and the likelihood legislators in the state will express that officials who ignore their citizens should not be reelected.

Contrary to my initial hypothesis, results indicate that length of time in office has a negative influence on legislators' perceptions of representation. As an official spends more years as member of the state legislature, he/she spends less time performing constituency services ($b = -0.387$). This legislator is also less likely to identify representation and constituency work as a legislator's most important job ($b = -0.054$) or identify constituents' views as his/her most important consideration in decision-making ($b = -0.043$). As the amount of time a legislator spends in office increases, he/she is less likely to oppose their party position even if it conflicts with constituent views ($b = -0.093$). Last, more years in office correspond with the likelihood a legislator will be less likely to believe a member of the Assembly should lose his/her seat if he/she ignores constituents ($b = -0.074$). These findings could be the result of senior legislators

choosing to take on leadership positions in the House of Assembly and/or their political party. In this instance, a legislator would spend more time in administration, rather than focusing on representation and constituency service. As legislators gain leadership positions, it is also possible this role competes with the representative function. Conversely, it is possible junior legislators, in an effort to secure reelection, may be more committed to constituency work and representation. In this scenario, senior legislators may believe they have already demonstrated their representative function, and now choose to prioritize other factors.

These analyses demonstrate source of revenue is a significant determinant of individual legislators' attitudes and behaviors toward the execution of the representation function. Chapter Three establishes the positive relationship between taxation and representation at a macro-level in Nigeria: tax revenue shapes budgetary priorities, and states generating more revenue from taxes are more likely to spend income on non-recurrent expenditures, like public service delivery. However, the previous findings confirm that sources of government trickle down to the micro-level. State reliance on taxes (or other sources of revenue) shape legislators' incentives to prioritize (or not prioritize) representation and constituent interests. As scholars have argued in other contexts, when government generates income from taxes on citizens, there is a greater inducement for public officials to shift policy decisions to their constituents' interests. Elected leaders do so in order to maintain income from their tax base (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988; North and Weingast, 1989; Hoffman and Norberg, 1994; Timmons, 2005). My analysis demonstrates this theory can also be used to explain how Nigerian elites perceive and carry out representation in state legislatures. Nigerian legislators in settings with a greater capacity to generate tax income also prioritize representation of constituents' interests and spend more time performing constituency services.

Dimensions of Elite Representation

In the previous analysis, legislators' perceptions of representation are captured with seven separate indicators. This section investigates the possibility that these variables scale together, such that there is a latent construct of "representation" in the minds of Nigerian legislators. In other words, what are the dimensions of representation? To answer this question, I perform a factor analysis using STATA 12.0. This analytical method will allow me to group variables into homogenous categories and identify the fundamental elements of representation (Garrett-Mayer and Onicescu, 2009).

"Representation" is operationalized with the following variables: legislators' ratings of how effective their State House of Assembly is in representing constituents; legislators' ratings of how effective their State House of Assembly is in representing women's interests; the percentage of time legislators report performing constituency work; whether legislators believe representation and performing constituency services are "the most important part of being a member of the State Assembly; whether legislators should prioritize their constituency's views over other considerations when making decisions; whether legislators should support or oppose their party's position if it conflicts with constituents' views; whether legislators should remain in office if they ignore what their constituents have to say. I include these seven indicators in the factor analysis and perform an orthogonal varimax rotation of the principal factors (so that the factors are not correlated with one another). Tables 4.23 and 4.24 present the results.

Factor analysis identifies two dimensions of representation. We can see that the first factor is defined the following five variables: the amount of time legislators report performing constituency services (loading = 0.581); the likelihood legislators identify representation and performing constituency services as the most important part of their job (loading = 0.463); the

likelihood legislators report prioritizing constituents' views over other considerations (loading = 0.546); the likelihood legislators will oppose their party's position if it conflicts with constituents' views (loading = 0.317); legislators' belief that officials should lose their seat if they ignore what constituents have to say (loading = 0.409). Based on the variables included, it seems that this dimension of representation focuses on the extent to which legislators prioritize their constituents' views and needs. This factor explains about 82% of the observed variance. Moreover, a test of internal consistency results in a Cronbach's alpha of 0.76. Taken together, this suggests that the five variables do scale together and can be combined into reliable index.

The second factor is defined by the remaining two variables: legislators' ratings of how well their state legislature represents constituents, in general, (loading = 0.500) and women, specifically, (loading = 0.551). Factor Two explains 47% of variance and yields a Cronbach's alpha of 0.721. This dimension of legislators' perception of representation embodies overall ratings of how well their state legislature is carrying out the representative function.

Based on these results, I generate two indices to capture the two dimensions of representation. The first index assembles the five variables in Factor One, and focuses on legislators' reports of how they prioritize constituents' interests and public services. The second index combines the two variables in Factor Two, and concentrates on legislators' perceptions of how well their House of Assembly represents constituents and women. Using these two indices as indicators for representation (dependent variable), I conduct two more multi-level mixed effects linear regressions (clustered robust standard errors). In these analyses, I hypothesize that in states that derive higher levels of government income from taxes, state legislators will be more representative of constituents. In states with higher levels of tax generation, officials will also report their state House of Assembly is more effective in carrying out the representative function.

Table 4.25 presents the results of analysis and supports the two hypotheses. First we observe a significant relationship whereby the constituency priorities index is positively linked to average tax generation ($b = 0.149$) and state tax reliance in 2009 ($b = 0.148$). Evidence suggests that Nigerian legislators in states with higher levels of tax generation are more likely to prioritize their constituents (as captured by the index of Factor One variables).

In a similar vein, in states deriving a larger portion of their income from taxes on citizens, legislators are more likely to give a favorable rating of how the House of Assembly represents their people. This positive and significant relationship holds across the two measures of tax generation—average tax generation between 1999 and 2009 ($b = 0.058$) and state tax reliance in 2009 ($b = 0.054$).

These analyses demonstrate that there are two dimensions of representation: the first focuses on legislators' prioritizing their constituents' views and needs, while the second factor centers on how effective these officials think their House of Assembly represents their people. Furthermore, in states that generate a higher level of income from taxes on citizens, legislators are more likely to identify constituents' interests and needs as important. Legislators in these states are also more likely to view their state legislature as effective in carrying out the representative function.

Conclusion

This chapter investigates the relationship between revenue at representation at the micro-level. In Chapter Three I establish how source of revenue shapes government budgeting and expenditures. However, the chapter (Four) demonstrates the incentives created by reliance on different forms of public revenue shape individual elected official's priorities and decision-

making. As previous scholars have theorized in Western Europe, when government is more reliant on taxes, elected leaders are more likely to say that they would shift public policy decisions to reflect citizens' interests. They make this shift as a part of the contract with constituents: tax payment in exchange for a greater influence in governance (Tilly, 1985/1990; Bates and Lien, 1985; Levi, 1988). Utilizing original elite surveys and Nigeria's intra-regional and inter-regional variation, we have seen this theory holds in an African context: Nigerian elite attitudes change in the context of the different restraints produced by tax generation. Nigerian legislators in more tax-reliant states present themselves as most likely to represent citizens: they report spending more time performing constituency services and prioritizing constituents' preferences and interests above other considerations (e.g. party position, personal views, etc). Moreover, factor analysis confirms establishes two dimensions of how legislators think about representation: the first is constituency oriented, while the second focuses on how effective their state legislature is in representing various citizens. Multi-level analysis once again confirms my hypotheses that legislators in states with higher levels of tax generation are more likely to identify constituents' interests and needs as important. These officials are also more likely to view their House of Assembly as effective in carrying out the representative function.

Having analyzed the relationship between revenue and elite representation at the individual level, the next chapter considers Nigerian citizens' perceptions of the tax contract. Using public opinion data, I will consider ordinary Nigerians' attitudes and behaviors toward taxation and representation in government.

Chapter Four Tables and Figures

Table 4.1: TAX GENERATION IN THE SOUTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL, %)				
STATE	2005	2007	2008	2009
EKITI	9.3	10.1	11.9	13.1
LAGOS	51.2	62.2	63.5	64.3
OGUN	N/A	11.4	27.5	29.3
ONDO	10.1	15.2	16.4	N/A
OSUN	14.9	15.2	16.2	22.0
OYO	18.3	22.3	20.0	20.6

Table 4.2: TAX GENERATION IN THE NORTH-EAST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL, %)				
STATE	2005	2007	2008	2009
ADAMAWA	3.3	4.7	4.979	5.1
BAUCHI	2.9	2.9	3.6	5.8
BORNO	3.8	4.8	5.3	7.5
GOMBE	4.6	5.2	7.1	11.1
TARABA	2.3	6.7	8.2	9.0
YOBE	2.5	2.5	2.4	3.0

Table 4.3: TAX VS. OIL INCOME IN NIGERIA'S REGIONS (PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)		
REGION	TAX	OIL
NORTHERN STATES	8.2	64.5
SOUTHERN OIL STATES	11.6	67.6
SOUTHERN, NON-OIL STATES	18.4	53.3

Table 4.4: TAX GENERATION IN THE NORTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL, %)				
STATE	2005	2007	2008	2009
JIGAWA	7.4	N/A	12.0	15.6
KADUNA	7.7	9.1	9.8	15.4
KANO	11.2	14.7	17.2	21.6
KATSINA	9.2	8.4	10.9	11.8
KEBBI	3.1	5.9	9.4	13.9
SOKOTO	8.9	19.3	46.7	47.7
ZAMFARA	2.8	7.9	8.3	15.4

Table 4.5: STANDARD DEVIATION IN REGIONAL TAX AND OIL INCOME AS A PERCENTAGE OF STATE BUDGET (1999 – 2009, %)		
REGION	STANDARD DEVIATION IN TAX INCOME	STANDARD DEVIATION IN OIL INCOME
NORTH-WEST	4.252	4.106
MIDDLE BELT	2.062	3.192
NORTH-EAST	2.380	3.885
SOUTH-WEST	16.568	17.977
SOUTH-SOUTH	5.931	7.989
SOUTH-EAST	3.726	3.054

Table 4.6: AVERAGE TAX GENERATION IN THE SOUTH- WEST REGION, 1999 - 2009 (% OF TOTAL REVENUE)		
STATE	TAX	OIL
EKITI	7.5	71.0
LAGOS	53.4	23.5
OGUN	18.9	56.5
ONDO	11.2	73.5
OSUN	16.4	61.1
OYO	16.7	59.1

Table 4.7: AVERAGE TAX GENERATION IN THE NORTH- WEST REGION, 1999 - 2009 (% OF TOTAL REVENUE)		
STATE	TAX	OIL
JIGAWA	7.6	67.4
KADUNA	12.9	59.4
KANO	13.2	56.6
KATSINA	7.1	66.2
KEBBI	8.2	65.7
SOKOTO	17.6	63.6
ZAMFARA	7.9	66.1

Table 4.8: TAX GENERATION IN THE SOUTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	1999	2000	2001	2002	2003
LAGOS (HIGH PERFORMER)	40.8	41.8	49.7	54.3	53.4
OYO (AVERAGE PERFORMER)	10.0	11.5	13.9	15.9	17.7
EKITI (LOW PERFORMER)	2.8	3.2	5.3	6.0	6.0

Table 4.8 (cont'd): TAX GENERATION IN THE SOUTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	2005	2007	2008	2009	MEAN
LAGOS (HIGH PERFORMER)	51.2	62.2	63.5	64.3	53.4
OYO (AVERAGE PERFORMER)	18.3	22.3	20.0	20.6	16.7
EKITI (LOW PERFORMER)	9.3	10.1	11.9	13.1	7.5

Table 4.9: OIL DEPENDENCE IN THE SOUTH-WEST REGION (PETROLEUM REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	1999	2000	2001	2002	2003
LAGOS (HIGH PERFORMER)	22.95	39.09	39.26	20.95	20.37
OYO (AVERAGE PERFORMER)	54.33	66.12	77.65	51.58	65.37
EKITI (LOW PERFORMER)	73.85	82.03	85.73	62.47	73.69

Table 4.9 (cont'd): OIL DEPENDENCE IN THE SOUTH-WEST REGION (PETROLEUM REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	2005	2007	2008	2009	MEAN
LAGOS (HIGH PERFORMER)	26.09	10.62	16.43	15.34	23.5
OYO (AVERAGE PERFORMER)	62	55.38	49.95	49.2	59.1
EKITI (LOW PERFORMER)	80.37	65.4	58.04	57.57	71.0

Table 4.10: TAX GENERATION IN THE NORTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	1999	2000	2001	2002	2003
SOKOTO (HIGH PERFORMER)	5.4	6.8	6.7	8.0	8.9
KANO (AVERAGE PERFORMER)	6.8	10.4	11.4	12.8	12.7
KATSINA (LOW PERFORMER)	2.9	3.7	4.4	6.0	6.08

Table 4.10 (cont'd): TAX GENERATION IN THE NORTH-WEST REGION (TAX REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	2005	2007	2008	2009	MEAN
SOKOTO (HIGH PERFORMER)	8.9	19.3	46.7	47.7	17.6
KANO (AVERAGE PERFORMER)	11.2	14.7	17.2	21.6	10.8
KATSINA (LOW PERFORMER)	9.2	8.4	10.9	11.8	7.1

Table 4.11: OIL DEPENDENCE IN THE NORTH-WEST REGION (PETROLEUM REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	1999	2000	2001	2002	2003
SOKOTO (HIGH PERFORMER)	77.08	84.01	76.32	72.37	73.48
KANO (AVERAGE PERFORMER)	51.53	70.87	50.58	54.59	39.28
KATSINA (LOW PERFORMER)	75.95	75.35	77.06	46.71	69.8

Table 4.11 (cont'd): OIL DEPENDENCE IN THE NORTH-WEST REGION (PETROLEUM REVENUE AS A PERCENTAGE OF TOTAL REVENUE, 1999 – 2009, %)					
STATE	2005	2007	2008	2009	MEAN
SOKOTO (HIGH PERFORMER)	66.25	53.42	35.28	34.41	76.7
KANO (AVERAGE PERFORMER)	76.79	63	49.55	53.22	53.4
KATSINA (LOW PERFORMER)	78.42	48.62	63.2	60.69	69.0

Table 4.12: LEGISLATIVE PRODUCTIVITY IN THE SOUTH-WEST REGION (NUMBER OF BILLS PASSED INTO LAW, 1999 - 2010)				
STATE	FIRST ASSEMBLY	SECOND ASSEMBLY	THIRD ASSEMBLY	TOTAL
LAGOS	30	76	43	149
OYO	40	30	-	70
EKITI	29	23	38	90

Table 4.13: LEGISLATIVE PRODUCTIVITY IN THE NORTH-WEST REGION (NUMBER OF BILLS PASSED INTO LAW, 2007 - 2011)					
STATE	FIRST SESSION	SECOND SESSION	THIRD SESSION	FOURTH SESSION	TOTAL
SOKOTO	6	12	8	10	36
KANO	13	9	8	6	36
KATSINA ⁷⁹	8	9	9	6	32

⁷⁹ Due to the nature of the data, information is only available for the first six months (June 2010 – December 2011) of the Katsina State House of Assembly's fourth session.

Table 4.14: SAMPLING PROCEDURES IN SIX STATE LEGISLATURES		
STATE	TOTAL NUMBER OF LEGISLATORS IN STATE LEGISLATURE	NUMBER OF STATE LEGISLAORS IN SAMPLE
LAGOS	40	20
OYO	32	16
EKITI	26	13
<i>Subtotal</i>	98	49
SOKOTO	30	15
KANO	40	20
KATSINA	34	17
<i>Subtotal</i>	104	52
TOTAL	202	101

Table 4.15: AGE OF LEGISLATORS (YEARS), n = 101			
STATES	MINIMUM	MAXIMUM	MEAN
LAGOS	38	63	49
OYO	37	55	47
EKITI	35	55	46
SOKOTO	33	58	44
KANO	38	57	48
KATSINA	40	55	48
TOTAL SAMPLE	33	63	47

Table 4.16: GENDER OF LEGISLATORS, n = 101		
STATES	MALE	FEMALE
LAGOS	17/20	3/20
OYO	15/16	1/16
EKITI	13/13	0/13
SOKOTO	15/15	0/15
KANO	20/20	0/20
KATSINA	17/17	0/17
TOTAL SAMPLE	96%	4%

Table 4.17: ETHNICITY OF LEGISLATORS, n = 101			
STATES	YORUBA	HAUSA-FULANI	OTHER
LAGOS	19/20	0/20	1/20
OYO	16/16	0/16	0/16
EKITI	13/13	0/13	0/13
SOKOTO	0/15	15/15	0/15
KANO	0/20	20/20	0/20
KATSINA	0/17	17/17	0/17
TOTAL SAMPLE	48%	51%	1%

Table 4.18: RELIGION OF LEGISLATORS, n = 101		
STATES	CHRISTIANITY	ISLAM
LAGOS	11/20	8/20
OYO	9/16	7/16
EKITI	13/13	0/13
SOKOTO	0/15	15/15
KANO	0/20	20/20
KATSINA	0/17	17/17
TOTAL SAMPLE*	33%	66%

* 1% of respondents declined answering.

Table 4.19: HIGHEST LEVEL LEGISLATORS' EDUCATION, n = 101				
STATES	SECONDARY SCHOOL	POST-SECONDARY DIPLOMA	BACHELOR'S DEGREE	POST-GRADUATE DEGREE
LAGOS	0/20	2/20	7/20	11/20
OYO	0/16	2/16	7/16	7/16
EKITI	0/13	1/13	1/13	11/13
SOKOTO	4/15	0/15	9/15	2/15
KANO	3/20	8/20	5/20	4/20
KATSINA	6/17	6/17	2/17	3/17
TOTAL SAMPLE	15%	17%	31%	37%

Table 4.20: OCCUPATION PRIOR TO LEGISLATIVE OFFICE (%), n = 101	
OCCUPATION	%
BUSINESS PERSON	26
CIVIL SERVANT	23
LOCAL COUNCILLOR	21
COMMERCIAL FARMER	7
OTHER PROFESSIONAL	6
TEACHER	5
SUPERVISOR/MID- LEVEL MANAGER	4
BANKER	3
UNIVERSITY LECTURER	2
LAWYER	1
ACCOUNTANT	1
GENERAL MANAGER	1
JOURNALIST	1

Table 4.21: NUMBER OF YEARS IN LEGISLATIVE OFFICE (YEARS), n = 101			
STATES	MINIMUM	MAXIMUM	MEAN
LAGOS	4	12	6
OYO	3	8	4
EKITI	4	4	4
SOKOTO	4	12	5
KANO	4	12	5
KATSINA	2	4	4
TOTAL SAMPLE	2	12	5

Table 4.22A: EFFECT OF REVENUE ON LEGISLATORS' EXECUTION OF REPRESENTATION	1	2	3
	REPRESENTING CONSTITUENTS	REPRESENTING WOMEN	TIME SPENT DOING CONSTITUENCY SERVICE
<i>STATE LEVEL</i>			
AVERAGE STATE TAX DEPENDENCE (1999 - 2009)	0.035 (0.002)	0.045* (0.046)	0.198* (0.117)
2009 STATE TAX DEPENDENCE	0.008 (0.002)	0.046* (0.037)	0.269* (0.094)
<i>INDIVIDUAL LEVEL</i>			
YEARS IN OFFICE	-0.015 (0.009)	-0.019 (0.019)	-0.387* (0.098)
MEMBER OF MAJORITY PARTY	0.100* (0.038)	0.049* (0.083)	0.546 (2.110)

Notes: *p < 0.10, two-tailed.

Table 4.22A (cont'd): EFFECT OF REVENUE ON LEGISLATORS' EXECUTION OF REPRESENTATION	1	2	3
	REPRESENTING CONSTITUENTS	REPRESENTING WOMEN	TIME SPENT DOING CONSTITUENCY SERVICE
CONSTANT	0.942*	0.762*	24.092*
STANDARD ERROR	0.048	0.104	2.653
<i>RANDOM EFFECTS</i>			
RESIDUAL STANDARD DEVIATION	0.163	0.353	9.035
INTRAClass CORRELATION	0.011	0.025	0.636
LOG LIKLIHOOD	-138.164	-76.512	-52.81
OBSERVATIONS	101	101	101
STATES	6	6	6

Notes: *p < 0.10, two-tailed.

Table 4.22B: EFFECT OF REVENUE ON LEGISLATORS' EXECUTION OF REPRESENTATION	4	5	6	7
	REPRESENTATION IS MOST IMPORTANT JOB	VIEWS OF CONSTITUENTS ARE MOST IMPORTANT CONSIDERATION	OPPOSE PARTY TO SUPPORT CONSTITUENTS' VIEWS	MPs WHO IGNORE CONSTITUENTS SHOULD LOSE
<i>STATE LEVEL</i>				
AVERAGE STATE TAX DEPENDENCE (1999 - 2009)	0.047* (0.005)	0.095* (0.059)	0.076* (0.012)	0.092* (0.006)
2009 STATE TAX DEPENDENCE	0.043* (0.004)	0.043* (0.005)	0.086* (0.009)	0.093* (0.005)
<i>INDIVIDUAL LEVEL</i>				
YEARS IN OFFICE	-0.054* (0.023)	-0.043* (0.055)	-0.093* (0.053)	-0.074* (0.038)
MEMBER OF MAJORITY PARTY	0.107 (0.122)	0.089 (0.107)	0.115 (0.223)	0.174* (0.102)

Notes: *p < 0.10, two-tailed.

Table 4.22B (cont'd): EFFECT OF REVENUE ON LEGISLATORS' EXECUTION OF REPRESENTATION	4	5	6	7
	REPRESENTATION IS MOST IMPORTANT JOB	VIEWS OF CONSTITUENTS ARE MOST IMPORTANT CONSIDERATION	OPPOSE PARTY TO SUPPORT CONSTITUENTS' VIEWS	MPs WHO IGNORE CONSTITUENTS SHOULD LOSE
CONSTANT	-0.313*	0.340*	0.475*	0.505*
STANDARD ERROR	0.122	0.135	0.280	0.129
<i>RANDOM EFFECTS</i>				
RESIDUAL STANDARD DEVIATION	0.415	0.459	0.954	0.438
INTRAClass CORRELATION	0.029	0.032	0.067	0.031
-2 x LOG LIKLIHOOD (DEVIANCE)	-54.548	-64.718	-80.646	-59.985
N	101	101	101	101
STATES	6	6	6	6

Notes: *p < 0.10, two-tailed.

Table 4.23: FACTOR ANALYSIS OF ELITE REPRESENTATION INDICATORS (Orthogonal Varimax Principle Factors)		
FACTOR	VARIANCE	PROPORTION
FACTOR 1	1.045	0.818
FACTOR 2	0.595	0.466
OBSERVATIONS	101	101
RETAINED FACTORS	2	2
NUMBER OF PARAMETERS	18	18
CHI2 (21)	73.65	73.65
PROB > CHI2	0	0

Table 4.24: FACTOR ANALYSIS OF ELITE REPRESENTATION INDICATORS (Rotated Factor Loadings)		
VARIABLE	FACTOR 1	FACTOR 2
REPRESENTING CONSTITUENTS	0.055	0.500
REPRESENTING WOMEN	0.050	0.551
TIME SPENT DOING CONSTITUENCY SERVICE	0.581	0.057
REPRESENTATION IS MOST IMPORTANT JOB	0.463	0.157
VIEWS OF CONSTITUENTS ARE MOST IMPORTANT CONSIDERATION	0.546	-0.029
OPPOSE PARTY TO SUPPORT CONSTITUENTS' VIEWS	0.317	-0.036
MPs WHO IGNORE CONSTITUENTS SHOULD LOSE	0.409	0.111

Table 4.25: EFFECT OF REVENUE ON ELITE REPRESENTATION'S TWO DIMMENSIONS	1	2
	PRIORITIZING CONSTITUENTS	RATING STATE LEGISLATURE'S REPRESENTATIVE FUNCTION
<i>STATE LEVEL</i>		
AVERAGE STATE TAX DEPENDENCE (1999 - 2009)	0.149* (0.064)	0.058* (0.016)
2009 STATE TAX DEPENDENCE	0.148* (0.047)	0.054* (0.013)
<i>INDIVIDUAL LEVEL</i>		
YEARS IN OFFICE	-0.072* (0.029)	-0.048* (0.011)
MEMBER OF MAJORITY PARTY	0.261 (0.149)	0.176 (0.071)
CONSTANT	5.049	3.380
STANDARD ERROR	0.287	0.070
<i>RANDOM EFFECTS</i>		
RESIDUAL STANDARD DEVIATION	2.341	0.565
INTRACCLASS CORRELATION	0.253	0.127
LOG LIKLIHOOD	-53.233	-85.635
OBSERVATIONS	101	101
STATES	6	6

Notes: *p < 0.10, two-tailed.

Figure 4.1: Tax Generation in the South-West Cases (1999 – 2009)

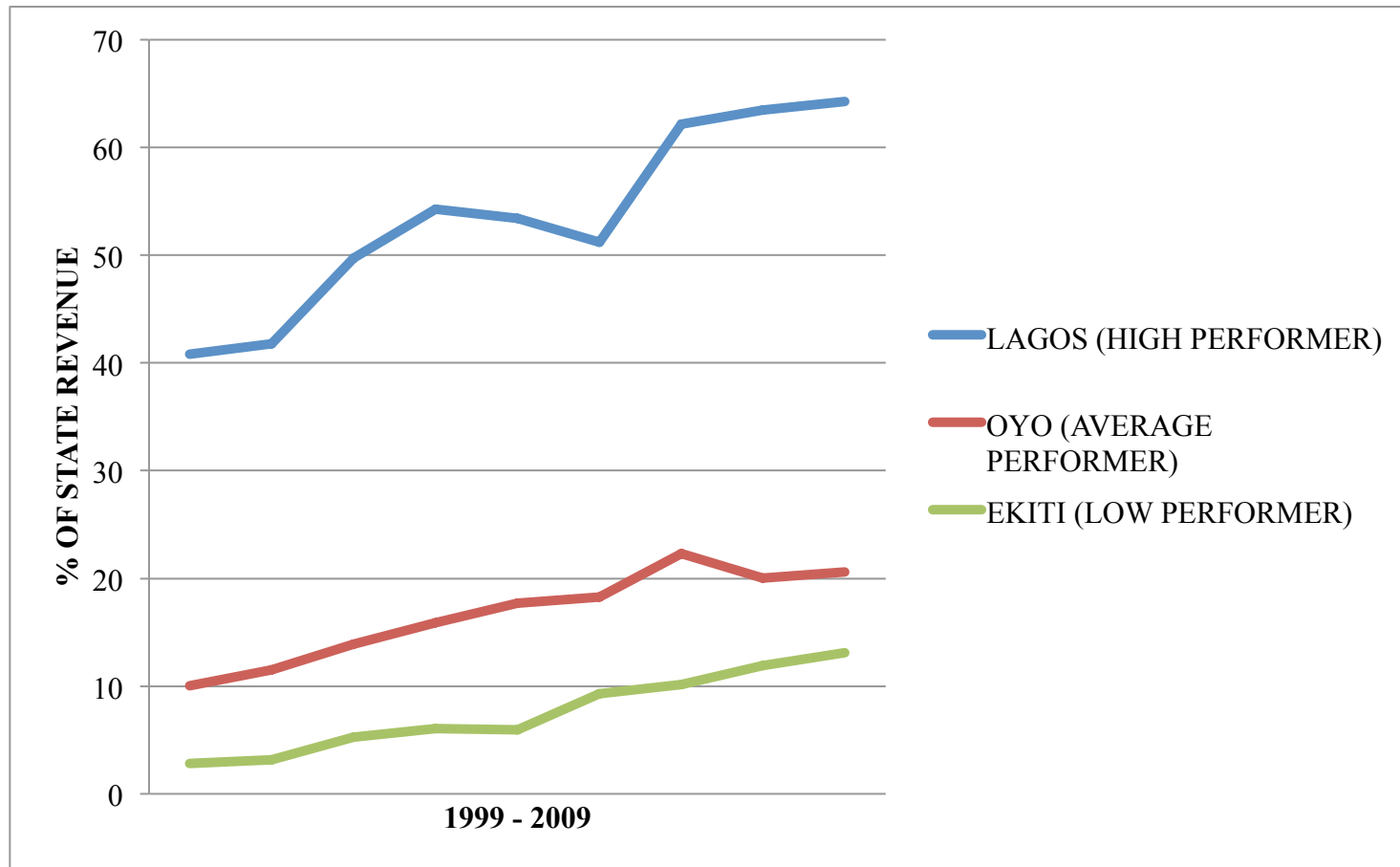


Figure 4.2: Oil Dependence in the South-West Cases (1999 – 2009)

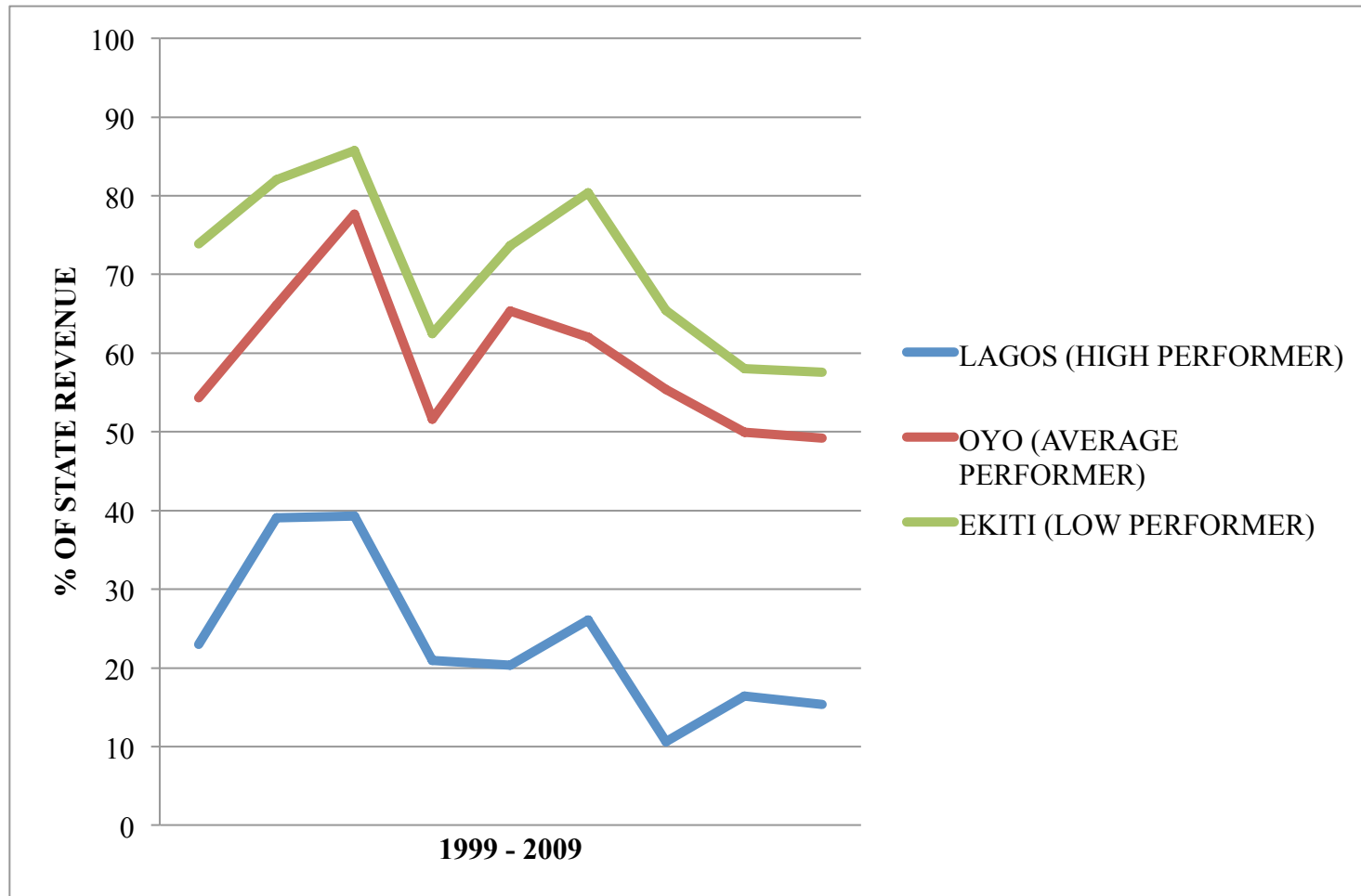


Figure 4.3: Tax Generation in the North-West Cases (1999 – 2009)

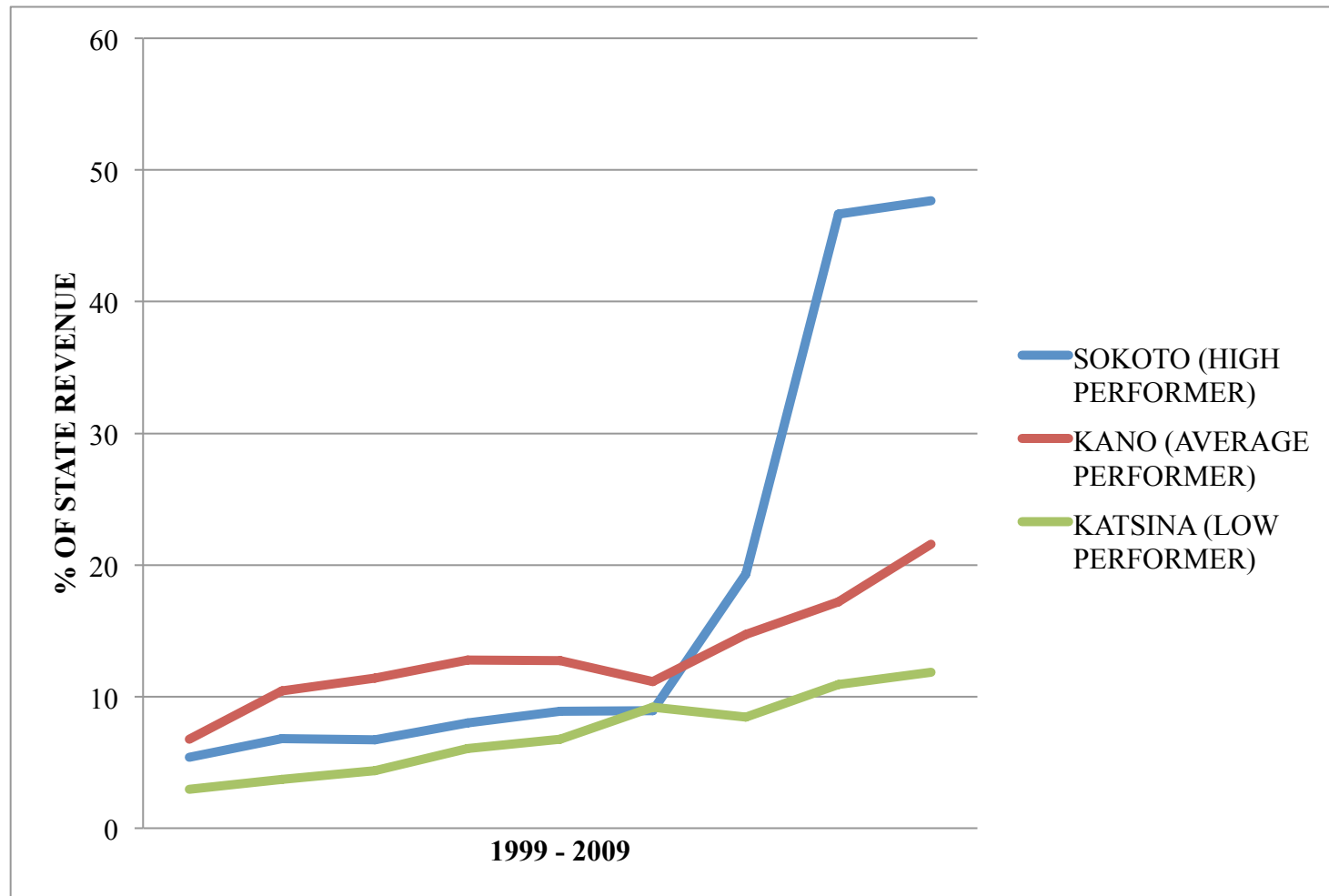


Figure 4.4: Oil Dependence in the North-West Cases (1999 – 2009)

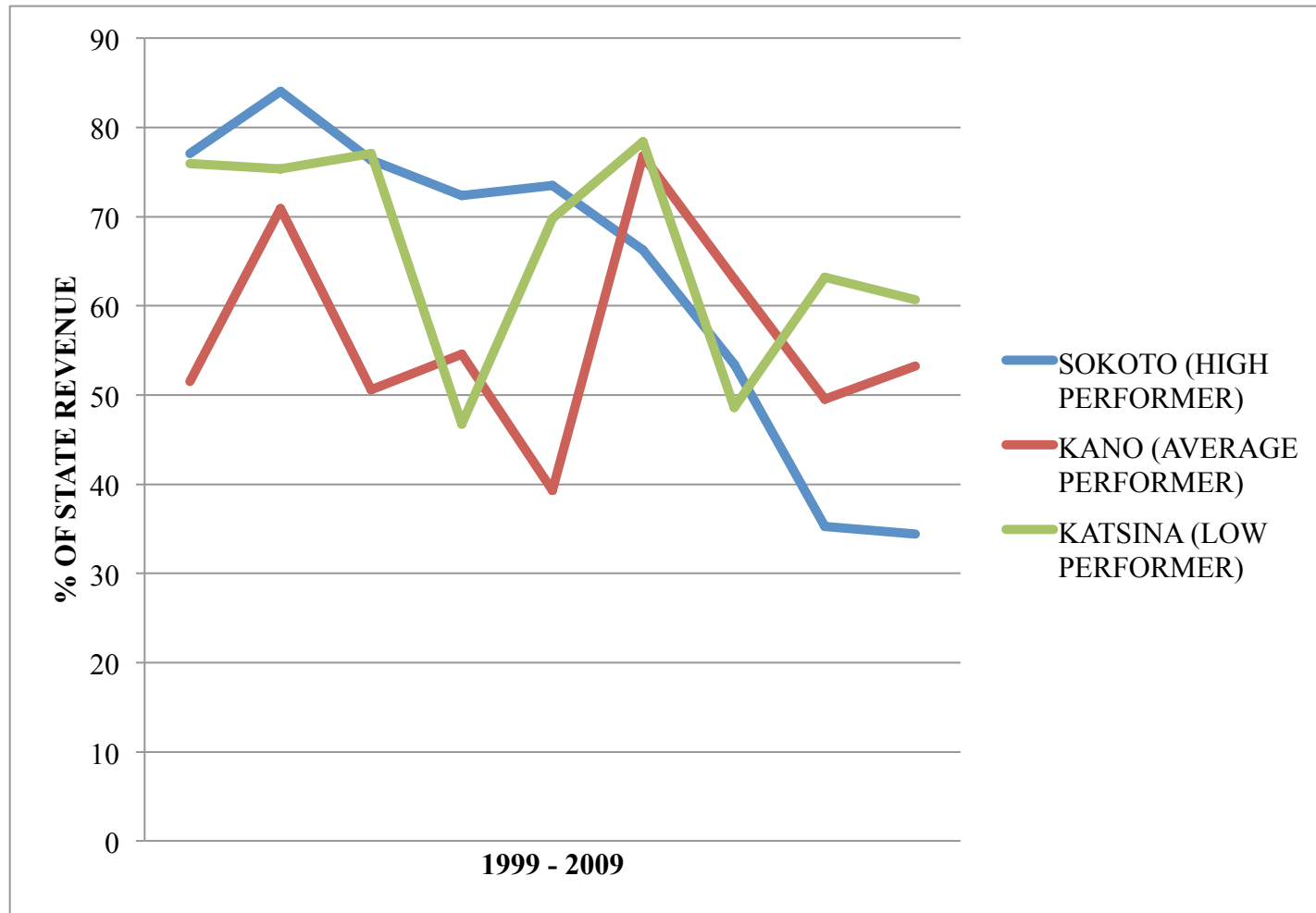
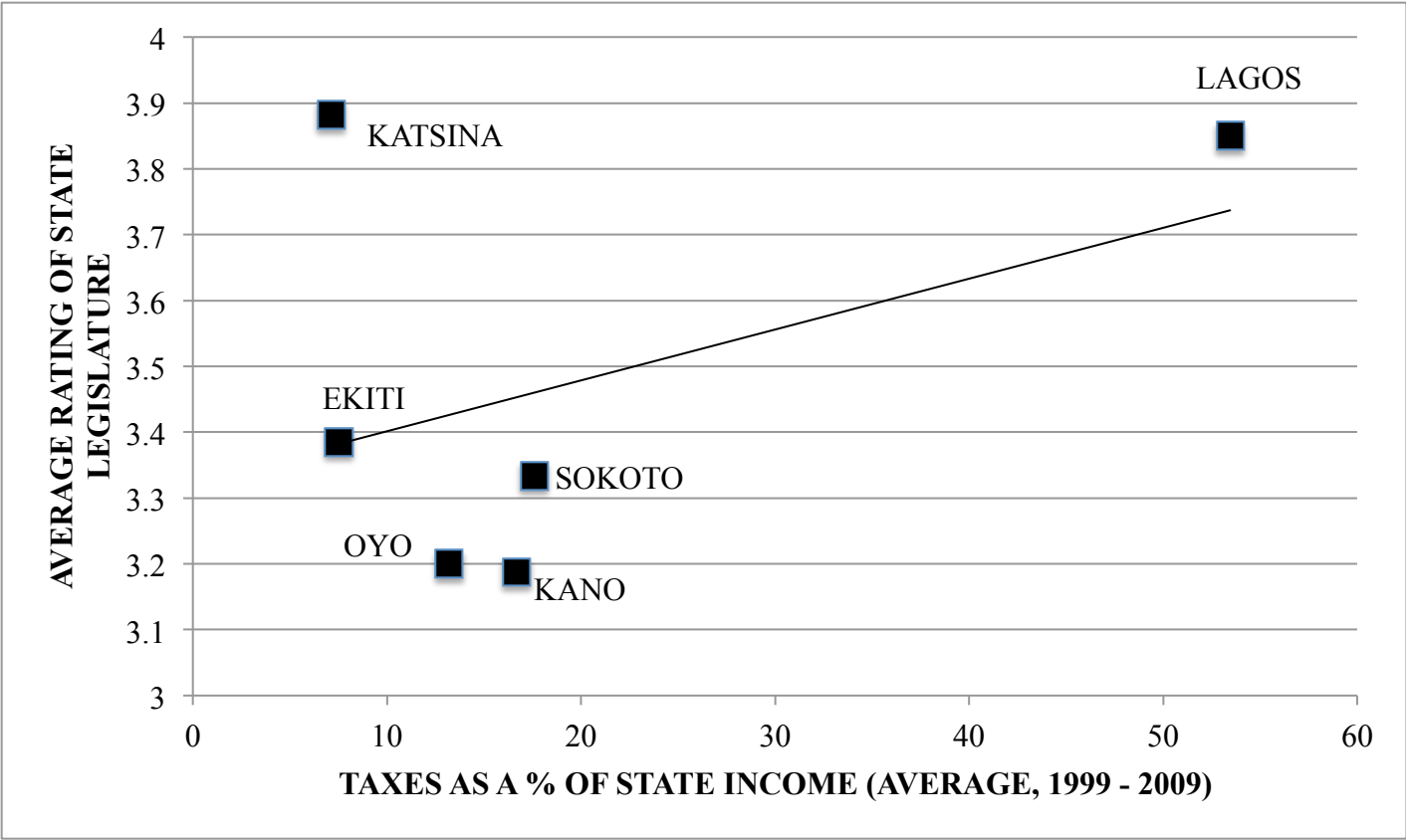
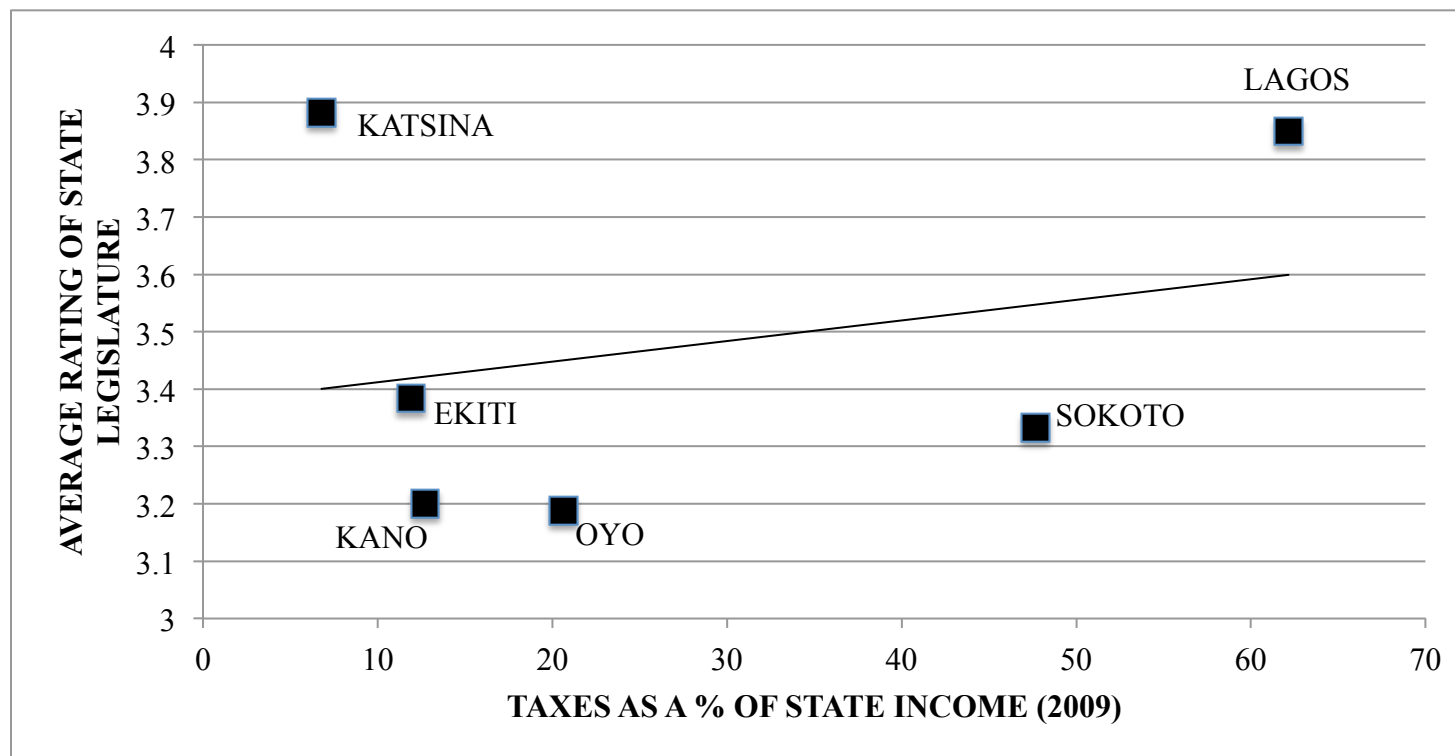


Figure 4.5: Legislators' Ratings of How Effective their State Legislature Represents Constituents vs. Average State Tax Generation



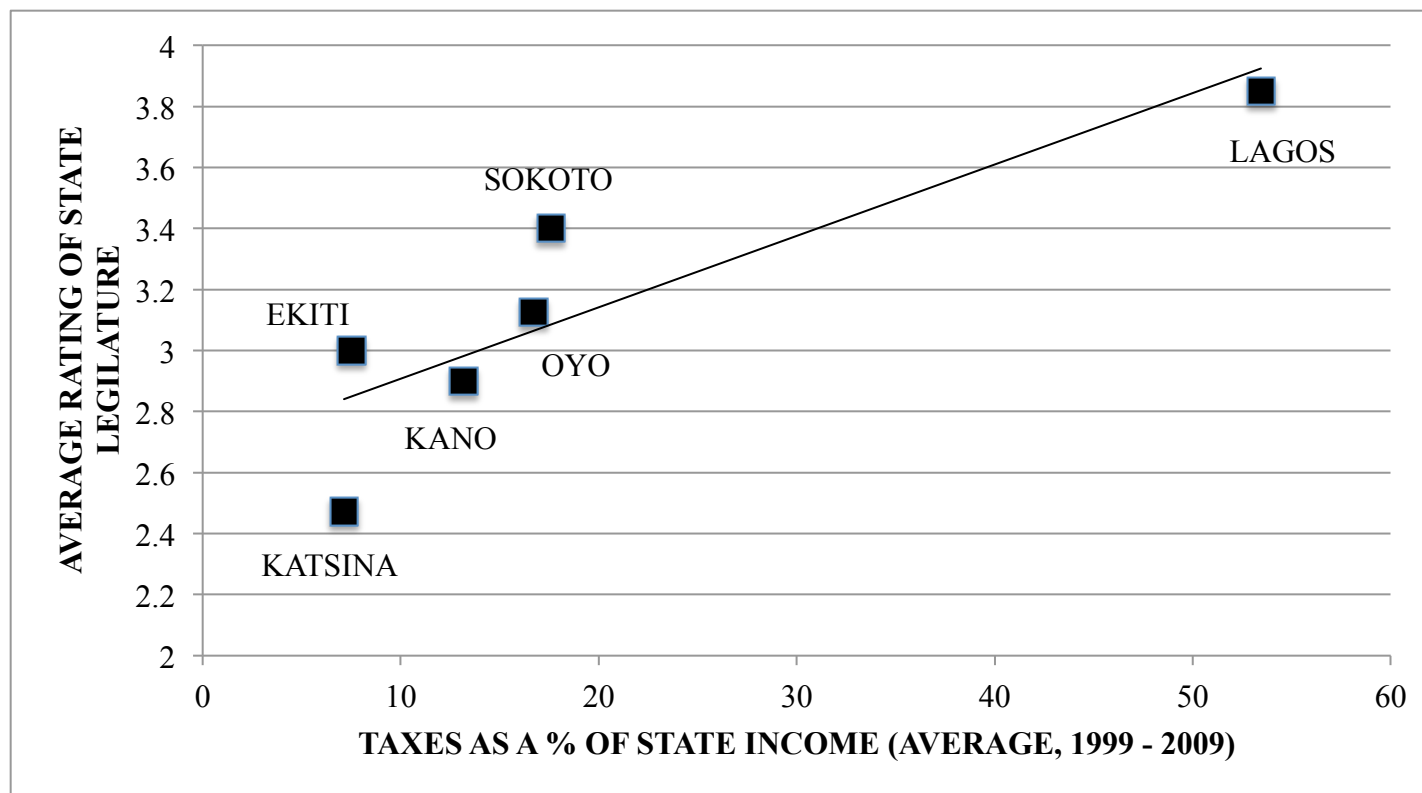
Correlation = 0.43
 $r^2 = 0.18$

Figure 4.6: Legislators' Ratings of How Effective their State Legislature Represents Constituents vs. 2009 State Tax Generation



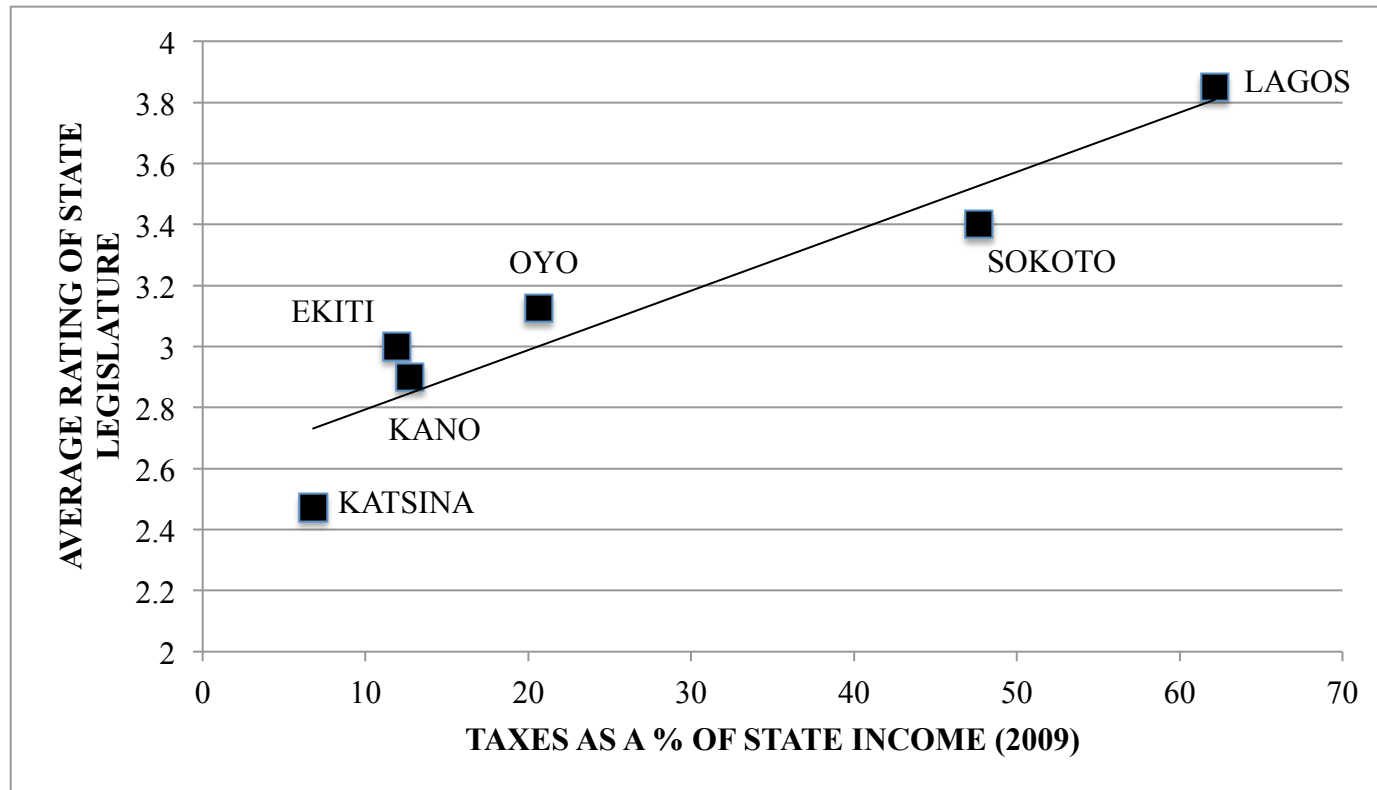
Correlation = 0.26
 $r^2 = 0.07$

Figure 4.7: Legislators' Ratings of How Effective their State Legislature Represents Woman vs. Average State Tax Generation



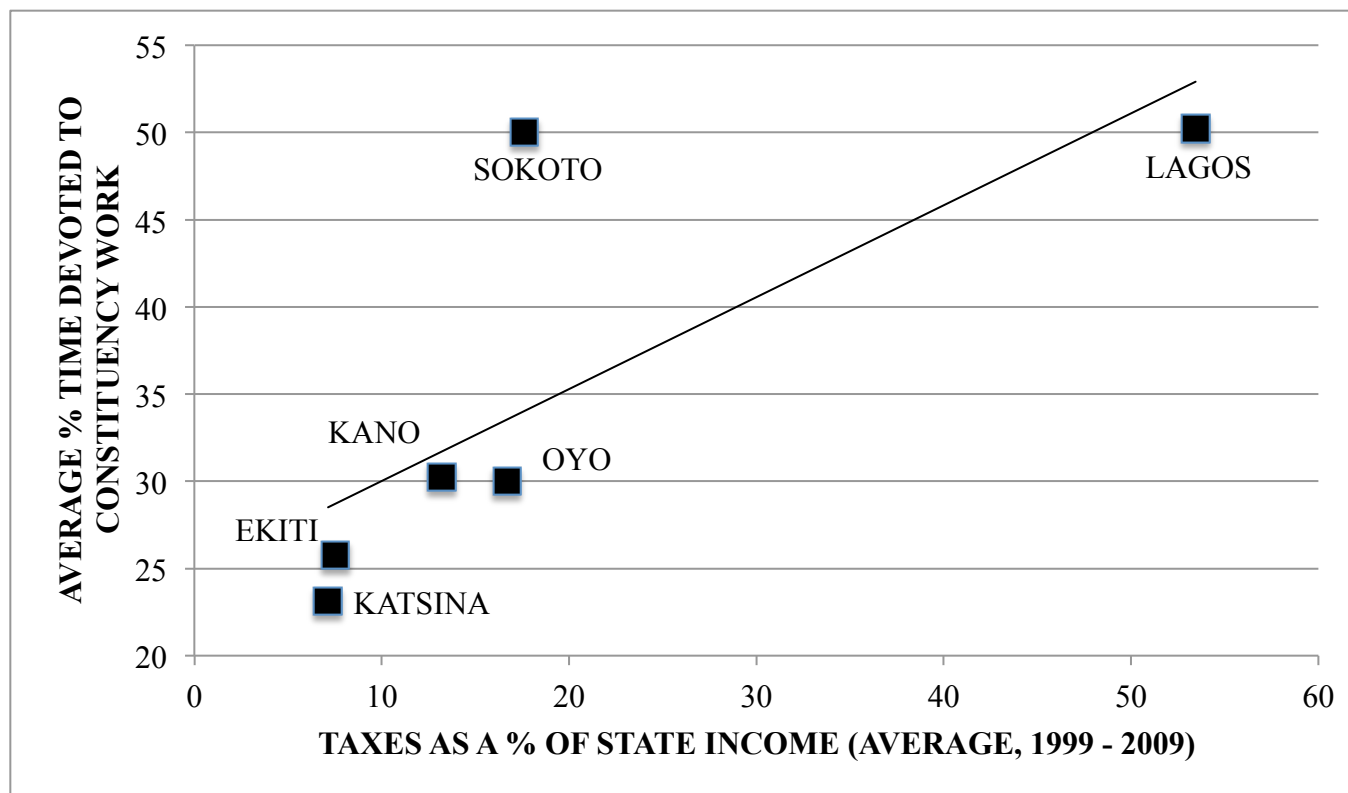
Correlation = 0.87
 $r^2 = 0.76$

Figure 4.8: Legislators' Ratings of How Effective their State Legislature Represents Woman vs. 2009 State Tax Generation



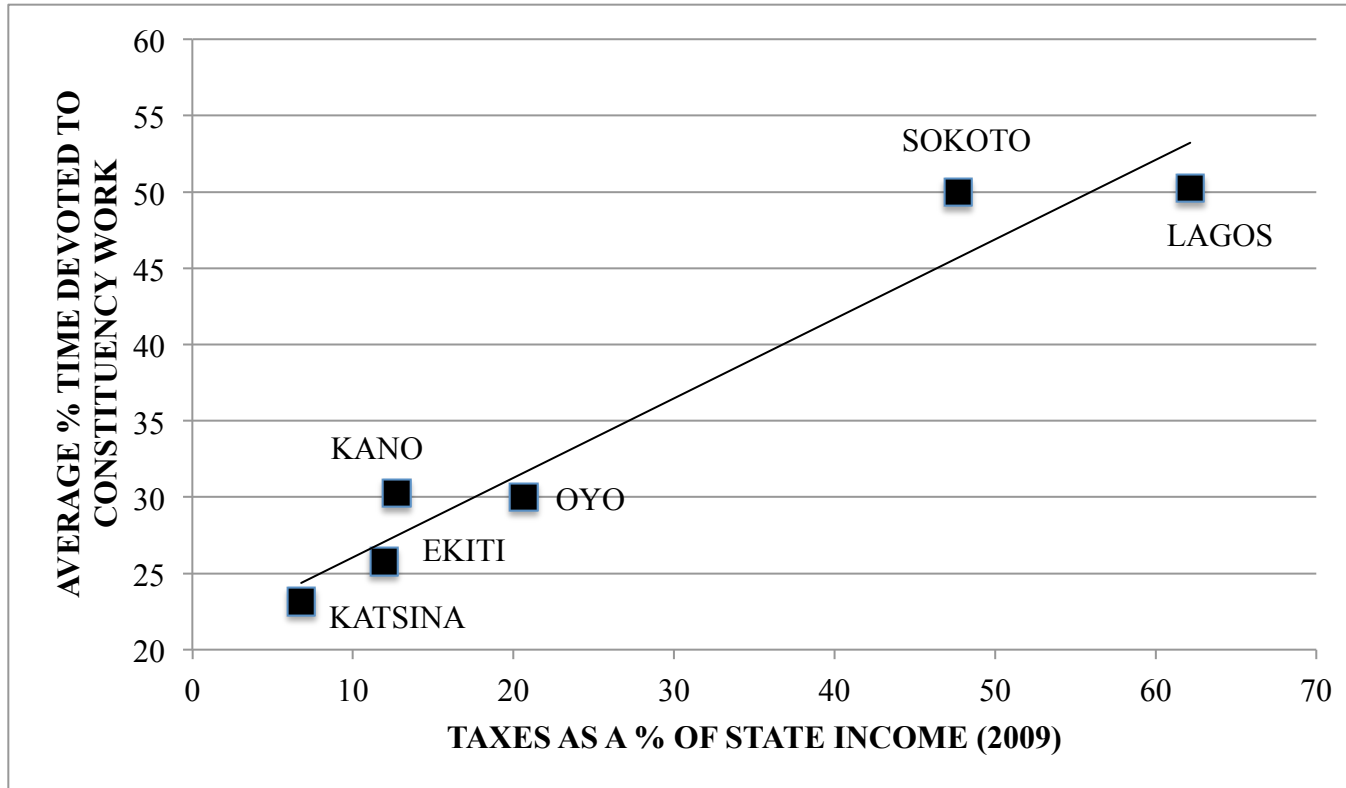
Correlation = 0.94
 $r^2 = 0.88$

Figure 4.9: Time Legislators Report Devoting to Constituency Work vs. Average State Tax Generation



Correlation = 0.75
 $r^2 = 0.56$

Figure 4.10: Time Legislators Report Devoting to Constituency Work vs. 2009 State Tax Generation



Correlation = 0.97
 $r^2 = 0.94$

Figure 4.11: Representation is Legislator’s Most Important Job vs. Average State Tax Generation

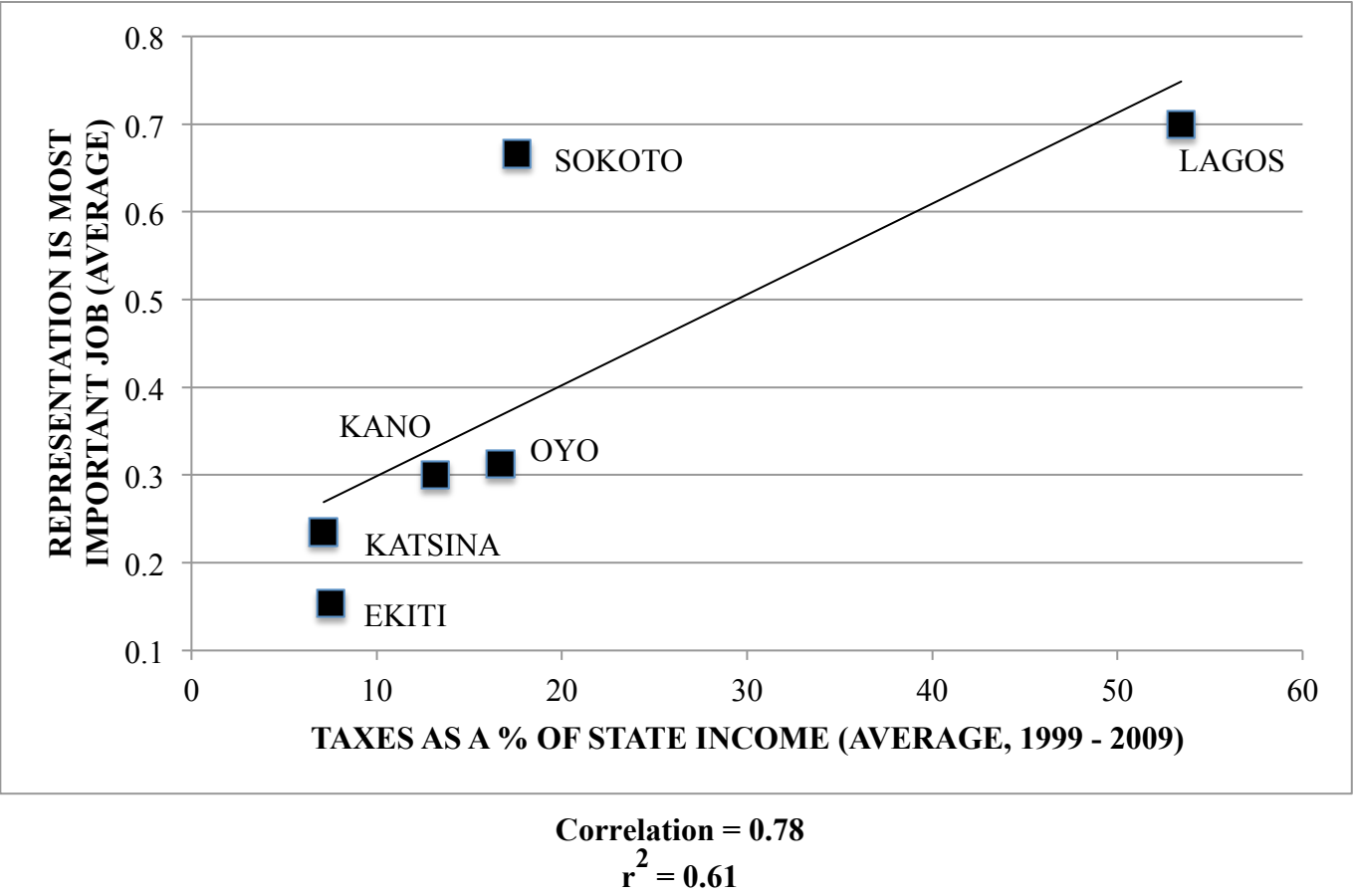
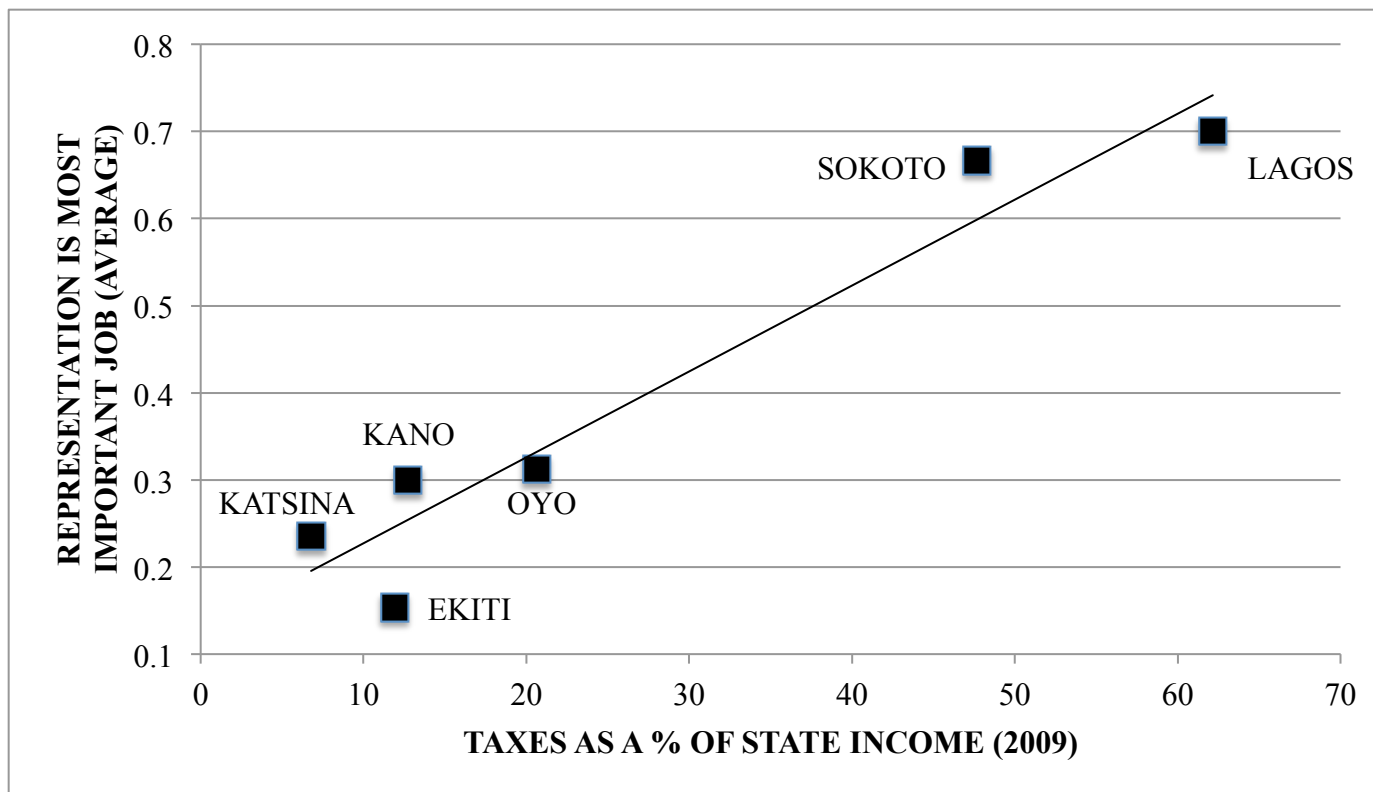
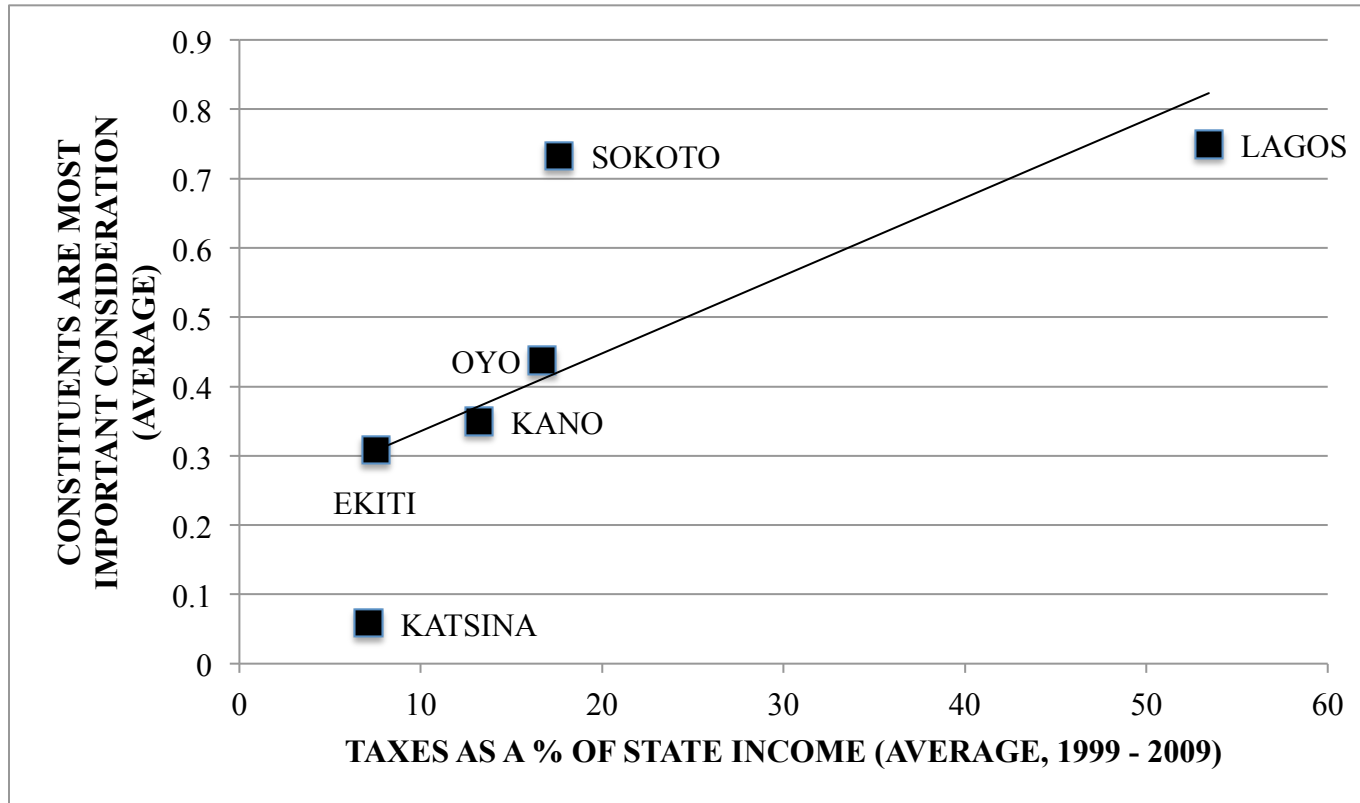


Figure 4.12: Representation is Legislator's Most Important Job vs. 2009 State Tax Generation



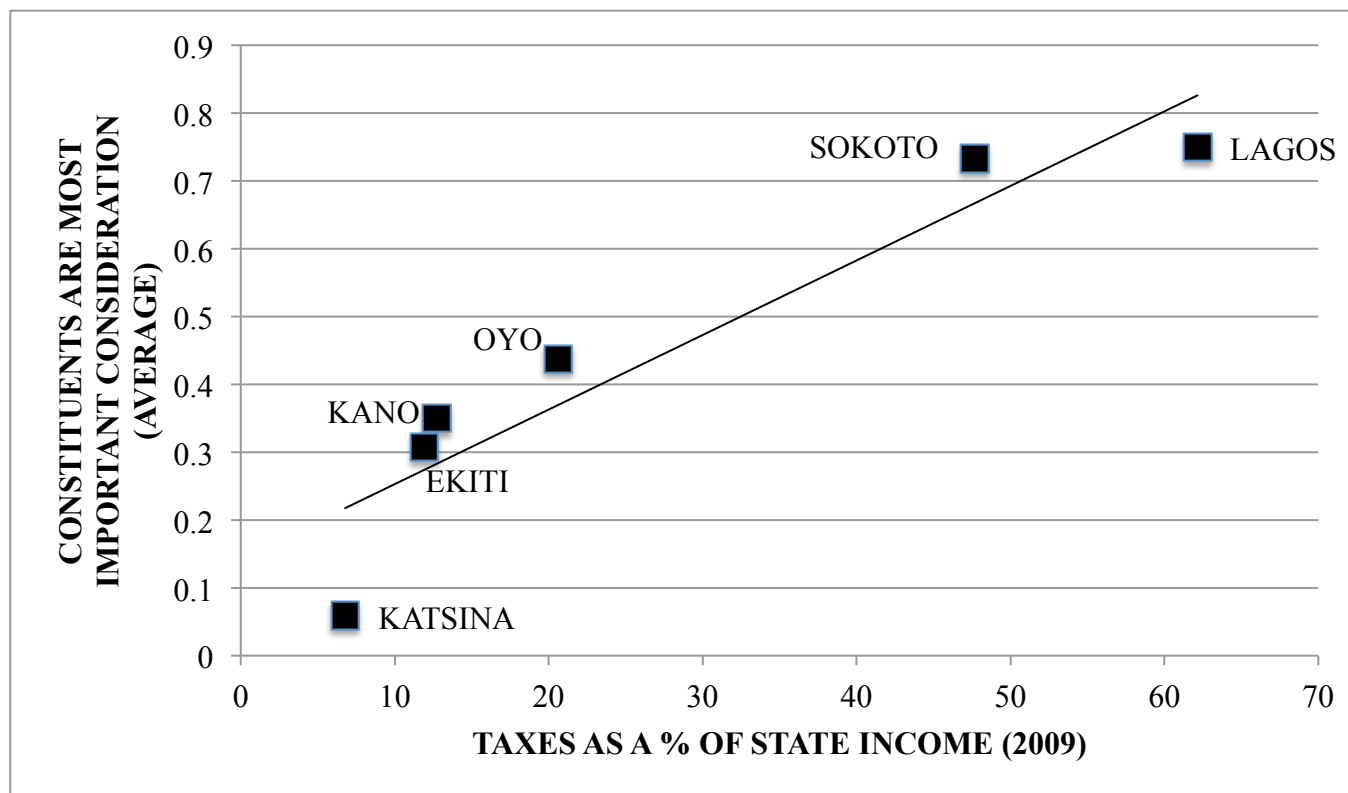
Correlation = 0.96
 $r^2 = 0.92$

Figure 4.13: Constituents' Views Are the Most Important Consideration When Making Decisions vs. Average State Tax Generation



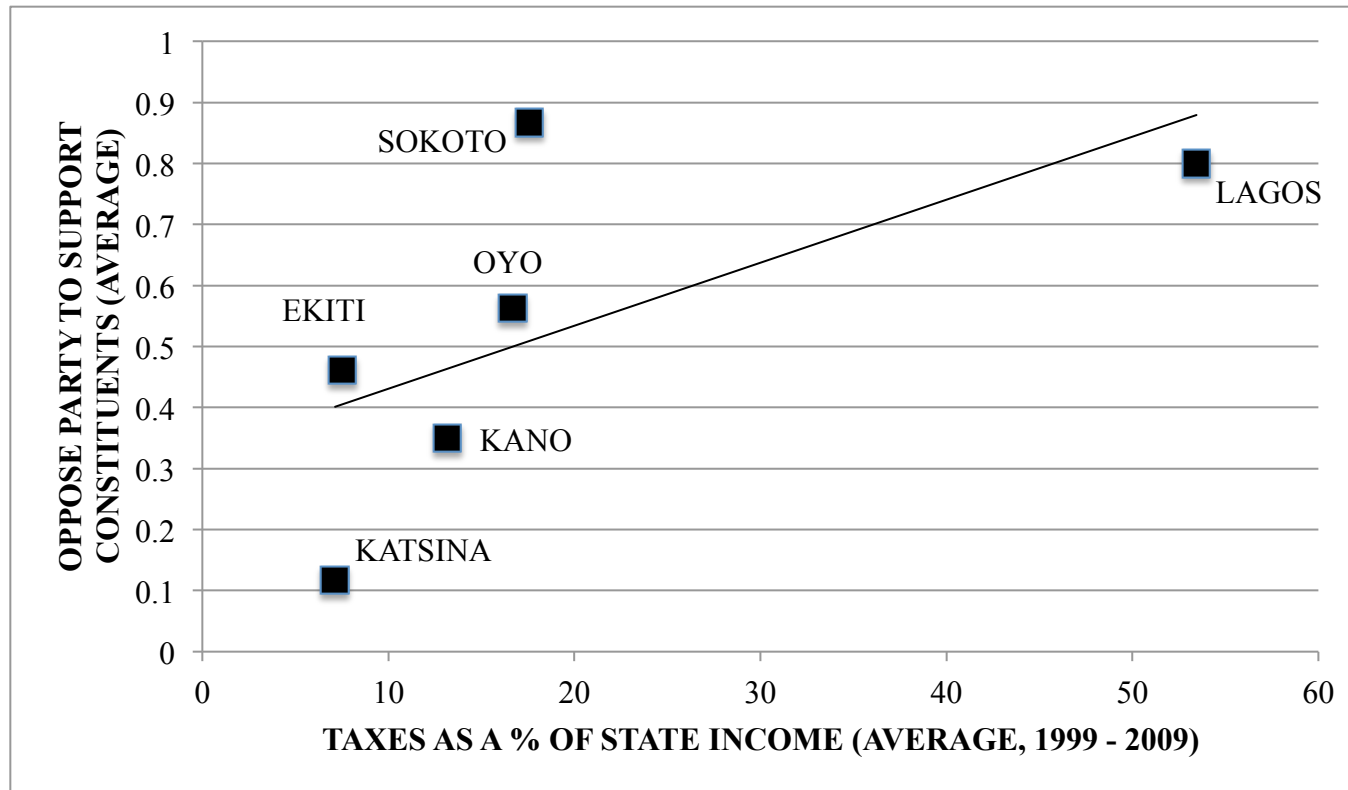
Correlation = 0.73
 $r^2 = 0.53$

Figure 4.14: Constituents' Views Are the Most Important Consideration When Making Decisions vs. 2009 State Tax Generation



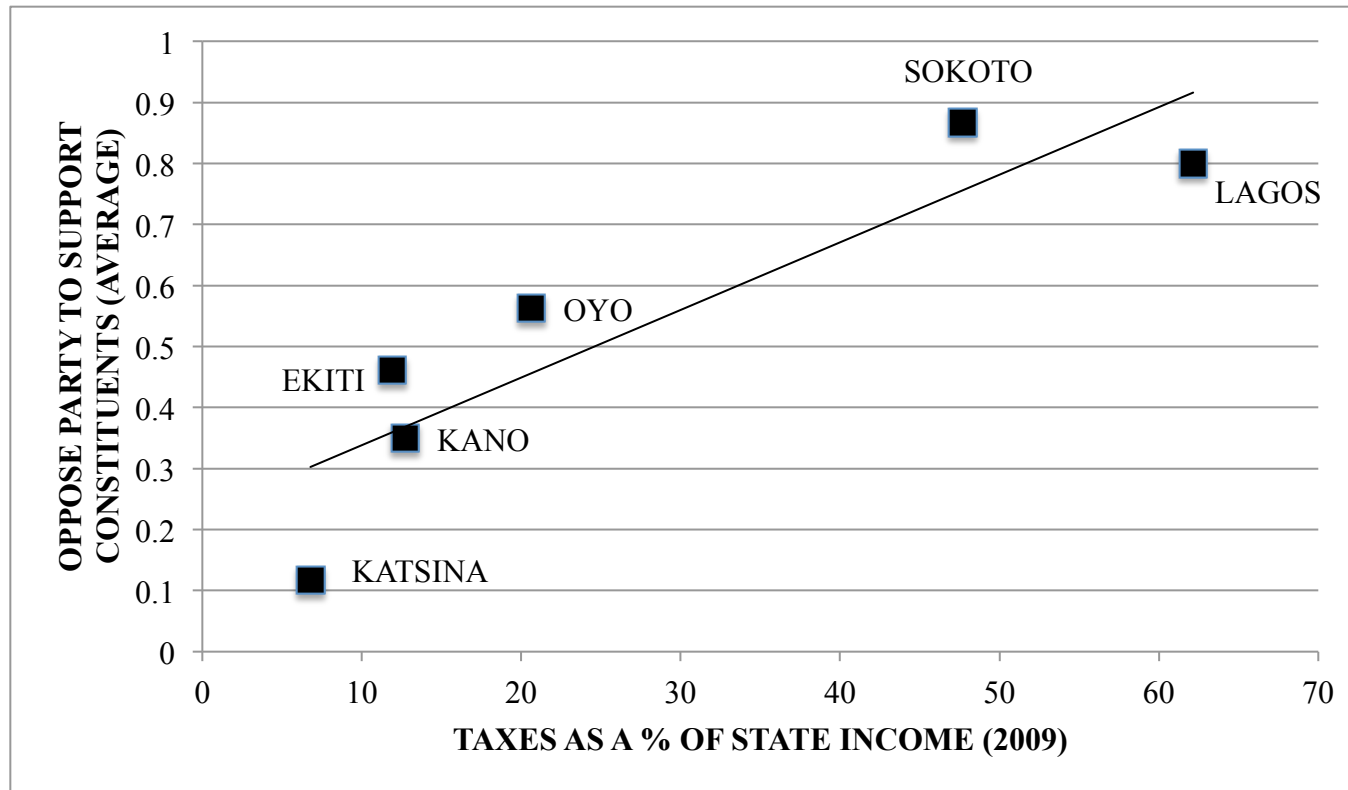
Correlation = 0.93
 $r^2 = 0.86$

Figure 4.15: In Case of Conflict, Will Oppose Party to Support Constituents vs. Average State Tax Generation



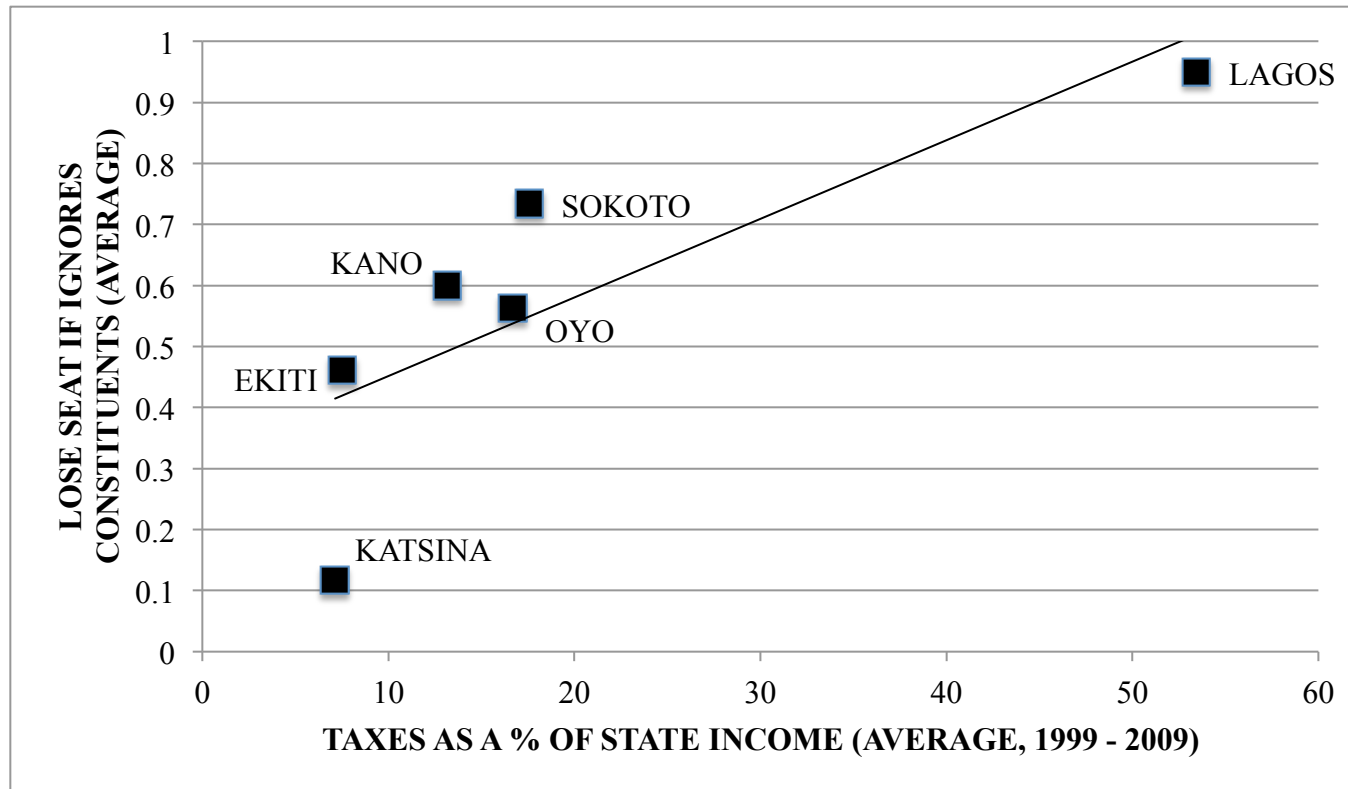
Correlation = 0.64
 $r^2 = 0.41$

Figure 4.16: In Case of Conflict, Will Oppose Party to Support Constituents vs. 2009 State Tax Generation



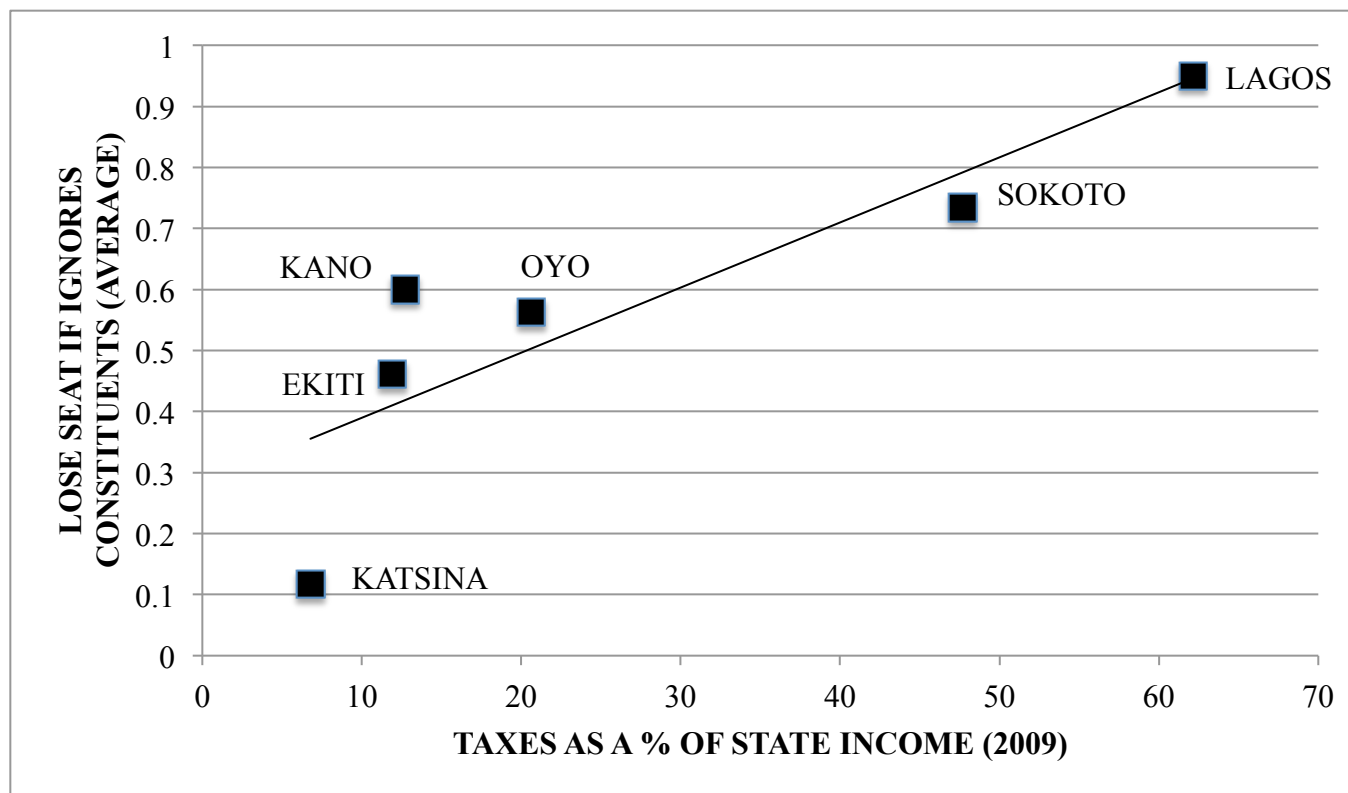
Correlation = 0.89
 $r^2 = 0.79$

Figure 4.17: If Legislator Ignores Constituents He/She Should Lose Seat vs. Average State Tax Generation



Correlation = 0.80
 $r^2 = 0.64$

Figure 4.18: If Legislator Ignores Constituents He/She Should Lose Seat vs. 2009 State Tax Generation



Correlation = 0.86
 $r^2 = 0.74$

CHAPTER FIVE

Popular Perceptions of Taxation and Representation: Attitudes and Behaviors To Tax Payment

Background

In the last two chapters, I have presented evidence supporting the thesis of this dissertation at the macro and micro levels. I have found that when Nigerian subnational governments generate more of their revenue from non-oil taxes on citizens, they seem to be more representative. This relationship is evident in the following ways:

1. As local and state governments rely more on income generated from taxes, they are less likely to spend income on politicians' salaries and allowances. Instead, they are more likely to expend resources on non-recurrent expenditures, including public service delivery.
2. Individual legislators in states that generate more income from non-oil taxes on citizens are more likely to prioritize and execute their representative function. Officials in these states say that they spend more time performing constituency services. They also claim to rank citizens' views above other considerations when making policy decisions.

Given these findings about how tax revenue shapes elite attitudes and behavior, under what circumstances are ordinary Nigerian citizens willing to pay taxes in the first place?

Following Levi (1988), I argue that the relationship between government and citizens undergirds politicians' ability to extract tax revenue from citizens. In order to maximize government's capacity to collect taxes, it is necessary to establish compliance among the citizenry. The use of force or coercion is one, albeit expensive, method of garnering this mass

compliance. However, Levi (1988: 52 - 60) identifies quasi-voluntary compliance as the modal technique of obtaining citizens' obedience toward paying taxes. This form of compliance is "voluntary because taxpayers choose to pay." But it is also considered quasi-voluntary "because the noncompliant [who do not pay their taxes] are subject to coercion—if they are caught."

According to Levi (1988), a citizen's quasi-voluntary compliance is dependent on two beliefs: first, an individual must believe that political leaders will fulfill their end of the bargain. A citizen must perceive that, if he or she pays taxes, government will reciprocate by incorporate citizens' interests in policymaking. Second, a taxpayer must believe that other citizens are complying with tax payment. Levi (1988: 53) argues that "taxpayers are strategic actors who will cooperate only when they can expect others to cooperate as well. The compliance of each depends on the compliance of others. No one prefers to be a 'sucker.'" I hypothesize that these kinds of calculations occur among the Nigerian populace. If so, and citizens do perceive tax payment as a contract with government in exchange for representation, we should be able to observe at least two empirical relationships. First, citizens who perceive that elected officials are representing their interests in government will be willing to pay taxes. These individuals will also report compliance with actual tax payment at a higher rate than Nigerians who do not feel politicians are representing them. Second, Nigerians who believe that other citizens are complying with tax payment will be more willing to pay taxes. They will also follow through with actual payment.

Before testing these hypotheses, it is important to consider Nigerians' general perspectives on taxation and compliance. Using Nigerian public opinion data from Afrobarometer Round Four (2008), we can paint an overall picture of ordinary citizens' perceptions.

The Afrobarometer (2008) asks Nigerian respondents the extent to which they believe "the

tax department always has the right to make people pay taxes,” thus gauging their latent willingness to pay taxes (Figure 5.1). A majority of Nigerians agree or strongly agree with this statement (66%). This is contrasted with 23% of Nigerians who disagree or strongly disagree with the tax department’s right to compel tax payment from citizens. Moreover, this belief in the government’s right to compel tax payment holds despite individual beliefs about whether the executive should account for how tax income is spent (Figure 5.2). For example, 53% of Nigerians believe “the National Assembly should ensure that the President explains to it on a regular basis how [the] government spends taxpayers’ money.” On the other hand, 43% of respondents believe “the President should be able to devote his full attention to developing the country rather than wasting time justifying his actions” (Afrobarometer, 2008). A cross-tabulation (Table 5.1) shows that even though Nigerians are closely split in their opinions about whether the president must justify public spending, the majority still agrees that it’s the tax department’s responsibility to make citizens pay taxes. For example, of the Nigerians who strongly agree that the executive must justify to the National Assembly how tax income is being spent, 70% also agree or strongly agree that the tax department has the right to compel tax payment. Similarly, of Nigerians who strongly believe the executive does not have to account for tax spending (free to act on their own), 76% also agree or strongly agree that people must pay taxes. A Cramer’s V test result of 0.113 demonstrates that there is a weak relationship between Nigerians’ willingness to pay taxes and their perceptions of executive accountability. Thus, Nigerians’ latent willingness to comply with government demands for taxes is relatively independent and endures despite differing views in executive justification of public spending.

Now knowing that a majority of Nigerians agree that government is justified in compelling tax payment, whom do citizens believe has the primary responsibility for collecting (specifically)

income taxes: federal government, state governments, local governments, members of the community, or traditional leaders (Figure 5.3)? First, it is important to point out Nigerians overwhelmingly believe income tax collection should primarily be a government responsibility. Only 6% of respondents believe a non-government entity (i.e. community members, traditional leaders), should be primarily responsible for collecting income taxes. Generally, Nigerians perceive income tax collection as a state and local responsibility, 36% of respondents choosing the state government and another 36% choosing the local government. On the other hand, 21% of respondents believe income tax collection is the federal government's responsibility. According to Nigeria's tax law, income tax collection is a state government responsibility. However, there are exceptions: federal government employees, members of the military, and residents of the Federal Capital Territory pay income taxes to the federal government.

Figure 5.4 presents results from respondent reports of actual payment of various taxes in the last year. In 2008, about 30% of Nigerians report making income tax payments during this period. 27% of respondents indicate making property tax payments, while 31% of Nigerians say that in the last year they paid local government fees taxes/fees. These rates of payment may, at first seem, low, but in comparison to other African nations, Nigeria is not statistically different. Comparing Nigeria to other Afrobarometer countries, we see that the rates of tax payment are slightly higher. With respect to income tax payment, even though only 30% of Nigerians indicate paying in the last year, this is higher than the mean (22%) in the 20 countries surveyed by the Afrobarometer. Similarly, the 27% who report paying property taxes in Nigeria is higher than the mean (24%) in Afrobarometer countries overall. With that said, this difference is close to the margin of sampling error in Afrobarometer surveys (+/- 3% at a 95% confidence level). Last, in Nigeria, 31% who report paying local government taxes is higher than the rate of 25% in all

countries included in the Afrobarometer.

Since the gaps between Nigeria and the Afrobarometer countries (on average) are so small, I perform three chi-square tests to examine the significance of these differences. Tables 5.2, 5.3, and 5.4 show results of the comparisons in tax payment (income, property, and local taxes) between Nigeria and the averages in all Afrobarometer countries. We see that there is no statistically significant difference between rates of tax payment in Nigeria and other Afrobarometer countries (in each test, $p = 1$). Thus, Nigeria remains similar to other African nations.

Returning to the initial, question, I hypothesize the following:

Hypothesis 1: Nigerians are more likely to express willingness to pay taxes as they perceive higher quality of representation from government.

Hypothesis 2: Nigerians are more likely to express willingness to pay taxes as they express higher quality of trust in other citizens.

Hypothesis 3: Nigerians are more likely to report actual tax payment as they perceive higher quality of representation from government.

Hypothesis 4: Nigerians are more likely to report actual tax payment as they express higher quality of trust in other citizens.

These hypotheses are derived from Levi's (1988) theory of citizen quasi-voluntary compliance with tax payment in Nigeria. If an individual Nigerian believes government is fulfilling its end of the bargain, she will be more accepting of government's authority to tax. This will also manifest in her actual tax payment. Similarly, if individuals trust other Nigerians are likely to comply with demands for tax payment, they will also be more willing to acquiesce to the government's right to tax. Once again, they will also be more likely to report actually

paying taxes.

In order to test these hypotheses, I rely on Nigerian public opinion data from Afrobarometer Round Four. These data allow me to establish citizen expectations regarding taxation and representation, especially in the context of government corruption.

Research Design

Dependent Variables

The following selected variables gauge Nigerians' attitudes and behaviors toward tax payment. Willingness to pay taxes, the dependent variable in Hypotheses 1 and 2, is operationalized with an indicator of the extent to which the respondent believes, in principle, people must pay taxes.⁸⁰ The dependent variable in Hypotheses 3 and 4 is captured with three indicators that measure an individual's actual tax payment within the last year. This includes payment of income taxes, property taxes, and local government taxes.⁸¹ These four indicators result in four separate analyses.

Independent Variables

In Hypotheses 1 and 3, quality of representation is the explanatory variable. To reiterate, representation is the process through which elected officials gauge, deliberate upon, and incorporate citizen interests in political decision-making (Pitkin 1967, 1969; Huber and Powell, 1994; Aldrich, 1995; Stokes, 1999). However, in order to practice representation, politicians

⁸⁰ "The tax department always has the right to make people pay taxes." 1=Strongly disagree, 2=Disagree, 3=Neither agree nor disagree, 4=Agree, 5=Strongly agree.

⁸¹ "Have you had to make any of the following payments during the past year: License fees to local government e.g., for a bicycle, cart, or market stall? Property rates or taxes? Income taxes?" 0=No, 1=Yes

must be first willing to pay attention to citizen interests and preferences. This includes listening to constituents and remaining in contact with them. When operationalizing citizen perceptions of the quality of representation they receive from elected officials, I use six indicators. These measures individually capture respondents' evaluations of local and national representatives' ability to assess and act upon citizens' needs.

First, I include an indicator measuring a Nigerian's belief in the likelihood that she "could get together with others and make [their] elected local councilor listen to [their] concerns about a matter of importance to the community." I also include a second indicator measuring this perception, but with respect to the their representative to the National Assembly.⁸² I hypothesize that when Nigerians believe it is somewhat/very likely they can make their local and national representatives listen to them, they will also indicate being more willing to pay taxes (Hypothesis 1). I also expect a positive relationship between a Nigerian's perceived ability to make her local and national representative listen and her actual tax payment (Hypothesis 3). As Levi (1988) argues, a citizen's compliance with government demands for taxes is, in part, dependent on her belief political leaders will reciprocate by incorporating ordinary people's interests in policy making. Therefore, if a Nigerian feels they can get together with others and make her local and national officials listen to her concerns, she will be more likely to perceive government as fulfilling their end of the tax contract. As a result, they will be more willing to pay taxes.

The second set of explanatory variables also gauges Nigerians' perceptions of how well their local and national representatives listen to them. In this case, the question asks the

⁸² "In your opinion, how likely is it that you could get together with others and make: Your elected local councilor listen to your concerns about a matter of importance to the community? Your representative to the National Assembly listen to your concerns about a matter of importance to the community?" 0=Not at all likely, 1=Not very likely, 2=Somewhat likely, 3=Very likely

respondent, in her opinion, “how much of the time [does she] think elected local government councilors try their best to listen to what people like [her] have to say.” A second question asks the same about representatives of the National Assembly.⁸³ While the previous set of questions ask about a respondent’s general efficacy in making elected officials listen to her, these questions are focused on the regularity with which the respondent believes her representatives, of their own volition, spend listening to ordinary people. Again, I hypothesize that when Nigerians believe their local and national representatives often/always listen to what ordinary people have to say, they will be more willing to pay taxes (Hypothesis 1). I also expect Nigerians will be more likely to pay income, property, and local taxes when they believe local and national leaders are often/always listening to people like them (Hypothesis 3). Following the theory of quasi-voluntary compliance, I expect these positive relationships. Nigerians will be more willing to pay taxes and more compliant with tax payment when they believe political leaders will reciprocate by including citizens’ preferences in government deliberations. As Nigerians believe government to be in fulfillment of the tax contract, they will be more willing to yield to the tax authority. They will also be more likely to report actual tax payment.

The last set of independent variables measures how often a respondent has contacted her local government councilor in the last year to discuss a problem or a view on an issue. A second question asks the same about contact with her representative to the National Assembly in the last

⁸³ “How much of the time do you think the following try their best to listen to what people like you have to say: Representatives to the National Assembly? Elected Local Government Councilors?” 0=Never 1=Only sometimes, 2=Often, 3=Always

year.⁸⁴ I expect a positive relationship between the frequency of Nigerians' contact with their local and national representatives and their willingness to pay taxes (Hypothesis 1). I also expect a positive relationship between the frequency of a respondent's contact with her local and national leaders and her actual payment of taxes (Hypothesis 3). When a Nigerian believes she can contact her local and/or national representative to share a problem or view, and then actually follows through with the action, she is more likely to view these officials as interested in her problems and concerns. In this case, the respondent will view her leaders as attentive, willing to help her solve a problem or willing to represent her views on an issue within the local government or National Assembly. If Nigerians believe this, they will be more likely to view government as complying with its end of the bargain. Therefore, they will be more willing to yield to demands for taxes and actually pay those taxes.

In Hypotheses 2 and 4, the explanatory variable is Nigerians' belief that other individuals are complying with tax payment. As Levi (1988) argues, this is the second tenet on which an individual's quasi-voluntary compliance with tax payment relies. I hypothesize Nigerian taxpayers operate perform a similar calculation. When they trust other taxpayers to comply, they will also be willing to acquiesce to government demands for taxes. These Nigerians will also be likely to report actual tax payment.

Round 4 of the Afrobarometer does not ask a question about respondents' trust in the context of tax payment. However, Afrobarometer has two indicators measuring generalized trust

⁸⁴ "During the past year, how often have you contacted any of the following persons about some important problem or to give them your views: A Local Government Councillor? A Representative to the National Assembly?" 0=Never, 1=Only once, 2=A few times, 3=Often

of people they know and, more widely, other Nigerians.⁸⁵ These two indicators of a respondent's trust in people they know and Nigerians, at large, can serve as a proxy for measuring if respondents trust other taxpayers to comply with payment. It stands to reason that if a respondent trusts people they know or other Nigerians in a general sense, they will also trust them to pay their taxes. On the other hand, if a respondent does not generally trust people they know or other Nigerians, they will not trust them to, specifically, pay taxes.

I hypothesize that when Nigerians express trust of people they know and other Nigerians, they will also be willing to pay taxes (Hypothesis 2). Additionally, I expect a positive relationship between respondents' trust of others (people they know and other Nigerians) and their actual payment of taxes (Hypothesis 4). Following the theory of quasi-voluntary compliance, when Nigerians trust other taxpayers to comply with payment, they will be more willing to cooperate. This will manifest in respondents' willingness to pay taxes and their reports of making actual tax payment.

Control Variables

I also include control variables identified by previous literature as predictors of citizens' willingness to pay taxes and actual tax payment.

Fjeldstad and Semboja (2001), in a survey of tax compliance in Tanzania, find an African's ability to pay is a significant predictor of tax compliance. When respondents are relatively better off, they tend to be more tax compliant. In their analysis, they use the number of wage earners in the respondent's household as an indicator. Fjeldstad and Semboja (2001) find respondents in

⁸⁵ "How much do you trust each of the following types of people: Other people you know (non-family members? Other Nigerians?" 0=Not at all, 1=Just a little, 2=I trust them somewhat, 3=I trust them a lot

households with more than one income earner are more likely to pay taxes. On the other hand, respondents in households with only one wage earner are less likely to be tax compliant. The Afrobarometer does not specifically ask about employment within a respondent's household. However, there is a question about the respondent's employment status.⁸⁶ Therefore, I hypothesize employed respondents will be willing to pay taxes and report actual tax payment. Furthermore, I hypothesize Nigerians with full-time employment will be more willing to pay taxes and report tax payment when compared to respondents with part-time employment.

Previous work on tax compliance in Western countries find younger individuals are less likely to pay taxes, while the most tax compliant are respondents are over 60 years old (Spicer and Lundstedt, 1976). However, in Fjeldstand and Semboja's (2001) analysis of Tanzania, they find younger respondents are more tax compliant. In Africa, elderly people tend to be unemployed and live in less affluent households. As a result, older Africans have a lower ability to pay when compared with younger Africans. I include age as a control variable in my analysis.⁸⁷ Following Fjeldstand and Semboja (2001), I hypothesize a negative relationship between age and willingness to pay taxes. I also expect a negative relationship between age and reports of actual tax payment.

Last, I control for respondents' perception of corruption within the local government,

⁸⁶ "Do you have a job that pays a cash income? Is it full-time or part-time? And are you presently looking for a job (even if you are presently working)?" 0=No (not looking), 1=No (looking), 2=Yes, part time (not looking), 3=Yes, part time (looking), 4=Yes, full time (not looking), 5=Yes, full time (looking)

⁸⁷ "How old are you?"

National Assembly, and among tax officials.⁸⁸ I hypothesize all three types of corruption will have a negative influence on citizens' willingness to pay taxes. I also expect a negative relationship between Nigerians' perceptions of corruption and their tax compliance. The justification of this negative expectation is tied to the two tenets on which quasi-voluntary compliance is based. First, if a respondent believes members of their local government and the National Assembly are corrupt, she will be less likely to believe government will fulfill its part of the tax contract. If the respondent does not believe leaders will incorporate citizens' priorities in decision-making, she will be less willing to pay taxes. She will also be less likely to report actually paying her taxes. Second, if Nigerians perceive members of the tax administration as corrupt, they are also less likely to believe the tax department is pursuing and punishing tax evaders. If a respondent feels other Nigerians are getting away with noncompliance, she will be less willing to pay taxes and less likely to report tax payment.

Once again, data for all variables are obtained from Round Four of the Afrobarometer. Table 5.5 summarizes each of the hypothesized relationships between the dependent, explanatory, and control variables. Table 5.6 presents each variable's summary statistics.

Describing the Sample

There are originally 2400 respondents in the Afrobarometer survey in Nigeria. However, after excluding respondents who answered "don't know" or refused to answer any question-indicator (dependent, independent, control variables), the sample size drops to 1,641. In order to ensure the removal of these cases has not introduced bias to the sample, I compare the

⁸⁸ "How many of the following people do you think are involved in corruption, or haven't you heard enough about them to say: Members of Parliament (National Assembly)? Elected Local Government? Tax officials? 0=None, 1=Some of them, 2=Most of them, 3=All of them"

demographic makeup of the original and new samples (Tables 5.7, 5.8, 5.9, 5.10, 5.11). Table 5.7 presents a comparison of means across various demographic variables between the original and new sample. Respondents in the new sample are, on average, only slightly older (31.5 years old) than those in the original sample (31.3 years old). Respondents in the new sample, like in the original, have, on average, completed some/all of secondary school. Both respondents in the new and original sample are, on average, employed part-time.

Table 5.8 compares the distribution of religious affiliation in the two samples. The newer sample has about a 1% increase in those who identify as “Christian only” and 1% increase in those identifying as “Muslim only.” There is a slight 3% decrease in the newer sample of respondents identifying themselves as “Roman Catholic.” With that said, like in the original sample, Christians remain the dominant religious group, followed by Muslims, and Roman Catholics in the new distribution.

When considering the distribution of ethnicities in the two samples, Hausa respondents increase by about 1%, while Yoruba respondents increase by 2% between the original and new sample (Table 5.9). Those identifying as Igbo decrease by 1%. However, like in the original sample, these ethnic groups remain the three most dominant in the new sample. Moreover, like in the original distribution, Hausas are the most numerous in the sample, followed by Yorubas, and then Igbos.

In the original sample, most respondents live in large, urban areas (51%), while about 36% live in small, urban areas (Table 5.10). Large, urban dwellers still remain the majority, though decreasing to 47%. Those living in small, urban areas increase to about 39% of the sample. Last, gender distribution in the original sample is about a 50-50 split between males and

females (Table 5.11). However, the new sample has more male respondents (53% male compared to 47% female).

Based on these demographic distributions, I argue that the new sample remains similar to the original. However, the 6% gap between male and female respondents could introduce bias to the analysis. In order to mitigate this, I add gender as a control variable.

Analysis and Results

For analysis, I rely ordered logistic regression and logistic regression, both with robust standard errors. Since “willingness to pay taxes” (the first of the dependent variables) is measured at the ordinal level with five meaningful and sequential categories for response, ordered logit would provide the best test. The remaining three dependent variables (whether the respondent paid local, property, or income taxes in the last year) have yes/no responses. Therefore, these variables are binary, dummies, and I utilize logit for analysis.

Table 5.12 presents results from the four analyses of the effect of citizens’ perceptions of representation and trust on willingness to pay taxes and on actual tax payment. Since each question-indicator (dependent and independent variables) is measured on a different scale, I report the proportional odds ratios (POR). These ratios will allow us to compare the relative strength of the various predictors in their influence on popular compliance with tax payment.

There is strong and positive evidence that Nigerians are willing to pay taxes when they perceive their elected officials as representing their interests. A higher quality of perceived representation among Nigerians also corresponds with higher rate of tax payment. Additionally, Nigerians with higher levels of trust are more likely to report greater willingness to pay taxes and actual tax payment. These findings directly support the hypotheses outlined earlier in this

chapter. Perceived quality of citizen representation and trust in government are significant predictors across multiple measures of Nigerians' willingness to pay taxes and actual tax payment. Moreover, as hypothesized, the theory of quasi-voluntary compliance provides leverage in analyzing Nigerian attitudes and behaviors toward taxation.

When considering the conditions under which Nigerians are most likely to yield to the authority of the tax department, as hypothesized, the ability to make local and national representatives listen are among the strongest predictors (Table 5.12). As a Nigerian believes she (and other people like them) can get together and share concerns with their local councilor, she is more likely to concede to the government's power to tax (POR = 1.278). In fact, of all variables included, the ability to make one's local representative listen exerts the strongest influence. This influence is positive, as hypothesized. Similarly, when a Nigerian believes she can get together with others and make a national representative listen, she is more willing to pay taxes (POR = 0.998). Once again, this relationship is strong and positive, as hypothesized.

The time a Nigerian perceives local and national representatives spend listening to ordinary people also exerts a positive influence on willingness to pay taxes. As Nigerians believe their local councillor (POR = 1.191) and representative to the National Assembly (POR = 0.862) spend more time listening to what ordinary citizens have to say, they are also more likely to agree to the tax department's right to compel tax payment. Moreover, when a Nigerian indicates making contact with a local councilor to discuss a problem or share a view, she is more willing to pay taxes (POR = 1.064). When a Nigerian indicates contact with a national representative in the last year, she is also more willing to concede to the tax department's authority (POR = 0.877). These findings support Hypothesis 1, demonstrating Nigerians are more willing to yield to the government's authority to tax as they perceive higher quality of representation.

Evidence also supports Hypothesis 3, and as Nigerians indicate they trust others, they are also more willing to pay taxes. Quasi-voluntary compliance specifically identifies trust in others' compliance with tax payment as a tenet. However, the use of generalized trust as a proxy bears out empirically. Evidence suggests Nigerians' trust in other Nigerians (not other people they know) significantly, and positively, influences their willingness to pay taxes (POR = 1.101). When contemplating issues of taxation and tax compliance, it seems Nigerians use a larger reference group. Rather than focusing on a smaller group on individuals they know, a Nigerian thinks about the larger population and if they trust other Nigerians, at large. In accordance with quasi-voluntary compliance, those indicating more trust in Nigerians are also more likely to yield to government's power to tax. Even when taking ability to pay (employment status), age, and corruption into account, quality of representation and trust are more powerful and significant explanatory variables. For example, perceptions of corruption in the local government (POR = -0.856), National Assembly (POR = -1.115), and the tax administration (POR = -1.135) have a significant, negative influence on Nigerians' willingness to comply with tax payment. In fact, opinions about tax officials' corruption are the third most powerful predictor of popular beliefs on the government's authority to tax. As hypothesized, when Nigerians believe local, national, and tax officials are engaged in corrupt practices, they are less willing to comply with demands for tax payment. In this instance, ordinary citizens are less likely to believe government will fulfill its end of the fiscal contract or punish evaders.

Turning to predicting actual tax payment (Hypotheses 2 and 4), quality of representation and trust also exert a strong, positive influence. As hypothesized, a Nigerian is more likely to report paying local taxes when she also believes she is able to make her local councillor listen to community concerns (POR = 1.191). Similarly, when Nigerians believe ordinary people can

make local representatives listen, they are more likely to pay property taxes (POR = 1.264) and income taxes (POR = 1.087). In fact, the ability to make their local councillor listen is among the most powerful predictors in explaining each of these forms of tax payment. For example, Holding all other variables constant, a one unit increase in a Nigerian's belief that she can make her local representative listen (e.g. moving from "not very likely" to "somewhat likely"), increases the likelihood that she will have paid local taxes by 1.191 times. This one-unit movement also increases the likelihood of property tax payment by 1.264 times and income tax payment by 1.087 times.

When a Nigerian believes her local councillor spends more time listening to what ordinary people have to say, she is more likely to have paid local taxes (POR = 0.986), property taxes (POR = 1.031), and income taxes (POR = 1.133) in the last year. Increased contact with a local representative is a positive and significant explanatory variable. If Nigerians have contacted their councillor with a problem or to discuss a view on an issue, they are more likely to report payment of local taxes (POR = 1.299), property taxes (POR = 1.263), and income taxes (POR = 1.283). Making contact with one's local councillor is the most powerful predictor of Nigerians' local tax and income tax payment.

In the case of actual tax payment, it seems Nigerians evaluate representation from their local officials more heavily than the quality of representation received from their national leaders. Scholars argue citizens feel closer to their local governments (i.e. Tiebout, 1956 and Oates, 1972). So, theoretically, Nigerians might consider both local and national representation when determining their willingness to pay taxes. However, when it comes to actual tax payment, local government representation is the key explanatory variable. In addition, most Nigerians pay income, property, and local taxes directly to their state and local government. It would make

sense for them to reference quality of representation from their local government when considering tax compliance.

Nigerians' level of trust also positively predicts their likelihood of actual tax payment (Hypothesis 4). When a respondent indicates a high level of trust in other Nigerians, she is also more likely to report paying local taxes (POR = 1.097), property taxes (POR = 1.071), and income taxes (POR = 1.049) in the last year. Once again, this indicator of general trust serves as a proxy, but still provides support for the second tenet in quasi-voluntary compliance. When Nigerians trust that other taxpayers are complying with payment, they will also be more likely to comply.

As hypothesized, corruption in government exerts a negative influence on actual tax payment in the last year. Specifically, perceptions of corruption in local government have a significant, negative relationship with payment of local government taxes (POR = -1.150), property taxes (POR = -1.072), and income taxes (POR = -1.075). Beliefs about corruption in the tax administration also exert a negative influence on reported payment of taxes. Perceptions on corruption among tax officials are the third most powerful predictor of income tax payment (POR = -1.117). Holding other variables constant, a one-unit increase in a Nigerian's perception that tax officials are engage in corruption (e.g. "some of them" to "most of them") decreases the likelihood that she will have paid income taxes by 1.117 times. As hypothesized, when Nigerians believe local and tax officials are participating in corrupt practices, they do not think government will satisfy its side of fiscal contract. However, even in this context, quasi-voluntary compliance provides explanatory leverage. These four models, taken together, offer strong evidence that, like in Western Europe, quasi-voluntary compliance and its implications, apply in Africa. Nigerians expect representation of their interests in exchange for their tax payment.

Moreover, Nigerians' willingness to pay taxes and actual tax payment is directly related to their perceived level of trust in other taxpayers to comply. Evidence suggests perceptions of corruption within the local government, National Assembly, and among tax officials have a significant, negative influence on citizens' attitudes and behavior toward taxation. With that said, the hypothesized relationship between tax payment, quality of citizen representation, and trust remains positive and significant.

Expanding the Concept of Representation: Citizen Satisfaction With Government Performance

This analysis using Afrobarometer public opinion data supports Levi's (1988) assertion about the linkages between representation, trust, and citizen compliance with government demands for taxes. In exchange for tax payment, citizens expect government to pay attention to their concerns and incorporate citizen interest in public policy. However, scholars have expanded substantive representation to include public expenditures on service delivery. Following Levi (1988), Fjeldstad and Semboja (2001: 2061) argue: "Individuals pay taxes because they value the goods provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to get others to contribute." Therefore, satisfaction with these services is likely to increase the probability that taxpayers will voluntarily comply with requests for tax payment. Fjeldstad (2001) and Fjeldstad and Semboja (2001) investigate this hypothesis, using Tanzania and South Africa as their cases. They find Africans' compliance with actual tax payment is positively linked to their satisfaction with government performance in the arena of public service delivery. As Africans perceive higher levels of service provision, they also indicate a higher propensity to pay taxes. When public service

delivery improves in quality and provision becomes more equitable, Africans perceive the terms of trade with government as fair exchange, and will consequently be more likely to comply with tax payment.

I now test this hypothesis in Nigeria. While Fjeldstad and Semboja (2001) and Fjeldstad (2004) focus on actual tax payment as their dependent variable, I follow the previous analysis. I investigate the influence of satisfaction with public service delivery on Nigerians' willingness to pay taxes (attitude) and actual tax payment (behavior). In circumstances where citizens are more satisfied with government performance, we should observe a greater willingness to contribute to government via tax payment (Hypothesis 1). Conversely, when citizens are less satisfied with government service provision, they are also less willing to pay taxes. We should also discern a higher rate of actual tax payment among satisfied individuals (Hypothesis 2). In addition, unsatisfied Nigerians will be less likely to comply with tax payment. Like Levi (1988), Fjeldstad (2001), and Fjeldstad and Semboja (2001), I assert that Nigerians perceive taxation and tax payment as a contract with government. Individuals pay taxes in expectation that government will provide representation via expending resources to deliver public services. When Nigerian citizens believe their elected officials are fulfilling their end of the bargain, in this case by providing services, they will be more willing to comply with government demands for taxes.

Research Design: Operationalizing Satisfaction with Service Provision

For this analysis, I operationalize Nigerians' satisfaction with government provision of public services with several indicators of respondents' opinions about how well the *current* government is managing certain matters. The Afrobarometer asks this question regarding

several areas in a general sense, for example, managing the economy, improving conditions for poor citizens, and job creation. With these larger policy areas, respondents may consider them more abstractly, providing a general opinion. Rather, I incorporate Nigerians' opinions about specific services, allowing me hone in on those with which respondents have daily experience. It is more likely Nigerians use their everyday experiences with these more specified services to gauge satisfaction with government performance. As a result, I include the following measures of citizens' perceptions of how well the current government is managing basic health services, water and sanitation, roads and bridges, and supplying electricity.⁸⁹ I also incorporate indicators for satisfaction with (specifically) local government management of local roads and local markets.⁹⁰ I hypothesize Nigerians will be willing to comply with tax payment as they are more satisfied with how the current/local government handles the aforementioned services (Hypothesis 1). I also hypothesize respondents with higher levels of satisfaction with government performance in these areas will be more likely to report actual payment of income, property, and local taxes (Hypothesis 2).

This analysis builds on the initial four models, using the same indicators for willingness to pay taxes and reported payment of income, property, and local taxes in the last year. In the new model, the indicators for quality of representation and trust (the dependent variables in the first

⁸⁹ "How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say: Improving basic health services? Providing water and sanitation services? Maintaining roads and bridges? Providing a reliable supply of electricity?" 1=Very badly, 2=Fairly badly, 3=Fairly well, 4=Very well

⁹⁰ "What about local government? I do not mean the Federal government or State government. I mean your local government council. How well or badly would you say your local government is handling the following matters, or haven't you heard enough about them to say: Maintaining local roads? Maintaining local market places?" 1=Very badly, 2=Fairly badly, 3=Fairly well, 4=Very well

model) will serve as controls. I also still include controls for employment status; respondent age; perceptions of corruption in the local government, National Assembly, and tax administration; and gender.

Table 5.13 presents summary statistics for the variables included in the second analysis. Once again, I exclude “don’t know” responses and respondents who refused to answer. This results in a sample size of $n = 1596$ (reduced by 45 from the first analysis). Like in the first analysis, I utilize ordered logit and logistic regressions with robust standard errors.

Analysis and Results

Turning to the results of analysis, evidence confirms that Nigerians’ attitudes and behaviors toward taxation are positively influenced by their perceptions of government performance (Table 5.14). Once again, the proportional odds ratios (POR) are reported. A Nigerian is more likely to concede to the authority of the tax department to compel payment when she is more satisfied with how the government is managing service provision. In addition, Nigerians with higher levels of satisfaction with government service management are more likely to report actual payment of local, property, and income taxes. These findings suggest quasi-voluntary compliance has a strong performance component: part of taxpayers’ assessment whether government is fulfilling its end of the bargain is based upon individual evaluation of public service delivery. Furthermore, while the government performance variables are strong and positive, the quality of representation and trust variables also remain strong and positive. Ultimately, quasi-voluntary compliance remains an applicable theory in Nigeria.

As hypothesized (Hypothesis 1), a Nigerian is more willing to yield to tax department’s authority to tax when she is more satisfied with how the government is handling health service

provision (POR = 0.972). Similarly, at higher levels of satisfaction with government management of water and sanitation (POR = 1.122) and local government management of (POR = 1.063), Nigerians are also more willing to pay taxes. However, the performance-based variables with the strongest explanatory power are government management of electricity (POR = 1.256), maintenance of roads and bridges (POR = 1.142), and management of local roads (POR = 1.168). For example, a one-unit shift in a Nigerian's satisfaction with government management of electricity services (e.g. moving from "fairly badly" to "fairly well" increases the likelihood that she will be willing to comply with tax payment by 1.256 times. Overall, even controlling for corruption, a Nigerian is more willing to pay taxes when she is more satisfied with government performance, more satisfied with the quality of representation she receives from her local and national leaders, and when she trusts other Nigerians are complying with tax payment.

Analysis also confirms Hypothesis 2: when Nigerians are satisfied with how the government is handing service provision, they are also more likely to report tax payment in the last year. Looking at determinants of local tax payment, satisfaction with government management of health services (POR = 1.118), water and sanitation services (POR = 1.052), and local government maintenance of markets (POR = 1.009) are all positive predictors. The most powerful explanations of why a Nigerian will pay her local taxes (among the government performance variables) are her satisfaction with electricity supply (POR = 1.247), government maintenance of roads and bridges (POR = 1.168), and her satisfaction with local government maintenance of local roads (POR = 1.183). Once again, respondents' satisfaction with the quality of representation they receive from their local councillor and their trust of other Nigerians also positively influence their payment of local taxes. In accordance with quasi-voluntary

compliance, Nigerians are more likely to pay their local taxes when they believe government is fulfilling its side of the fiscal contract, providing quality representation and services. In addition, a Nigerian who trusts other Nigerians are paying their taxes is also more likely to pay her local taxes.

Property tax payment is also significantly and positively explained by Nigerians' satisfaction with government performance. Respondents are more likely to have paid property taxes in the last year when they are satisfied with government management of health services (POR = 0.994), water and sanitation services (POR = 1.197), road and bridge maintenance (POR = 1.247), and electricity supply (POR = 1.292). Nigerians are also more likely to pay property taxes when they are satisfied with local government maintenance and local roads (POR = 1.058) and markets (POR = 0.858). Even taking into account a respondent's satisfaction with the quality of representation from her local leaders and her trust in other Nigerians (both positive and significant explanatory variables), her satisfaction with government provision of electricity is the strongest predictor of her property tax payment in the last year. This model confirms government performance matters in individuals' calculations of whether or not to follow through with tax payment.

Finally, income tax payment follows a similar pattern: Nigerians are more likely to report payment in the last year when they are satisfied with public service provision. When it comes to payment of income taxes, Nigerians' satisfaction with how government maintains the electricity supply (POR = 1.349), roads and bridges (POR = 1.358), and local roads (POR = 1.349) are more significant than their perceptions of corruption, quality of representation, and trust.

Results of these four analyses confirm my hypotheses and reinforce the initial findings about quasi-voluntary compliance and tax payment. This theory, first utilized to explain attitudes and behaviors toward taxation in Western Europe, also applies in the African context. Nigerians are, clearly, like tax payers in other nations, viewing taxation as a bargain with government. Individuals require certain expectations to be met in exchange for their tax payment. Like taxpayers in other contexts, Nigerians must believe government will fulfill their terms of the trade: they expect substantive representation of their interests and public services. Thus, when a Nigerian is more satisfied with the quality of representation she obtains from her local and national leaders she will be more willing to pay taxes and comply with actual tax payment. It also follows that when this taxpayer is more satisfied with how government is managing public service provision, her attitude and behavior toward tax payment will be more compliant. Evaluations of government performance are a part of quasi-voluntary compliance's first tenet. And last, when a Nigerian taxpayer trusts other individuals are paying taxes, she will be more willing to pay taxes and more likely to report tax payment. These three major findings demonstrate the applicability of theories of revenue and representation in Africa.

Dimensions of Citizen Representation and Satisfaction

In the previous chapter, factor analysis uncovered a latent "elite representation" variable with two dimensions. When Nigerian legislators think about the representative function, they think of prioritizing constituency interests/needs and also how effective their state legislature is in representing various constituencies. In this section, I explore the possibility that there is a single dimension of quality of representation among citizens. Is there a single construct of

representation when ordinary Nigerians evaluate their elected officials? Similarly, when thinking about government performance with public service provision, is there a single dimension along which citizens rate officials? Once again, I rely on factor analysis to group variables and identify essential components of representation and satisfaction among citizens.

Factor analysis identifies one dimension of citizens' perceptions of representation (Tables 5.15 and 5.16). All six variables help to define this factor: ability to make local councilors listen to citizen concerns (loading = 0.601); ability to make national representatives listen to citizen concerns (loading = 0.621); perceptions of the amount of time local officials spend listening to ordinary people (loading = 0.657); perceptions that national officials spend time listening to ordinary people (loading = 0.644); the amount of contact respondents had with local representatives (loading = 0.549); the amount of contact respondents had with national representatives in the last year (loading = 0.496). This factor explains about 47% of the observed variance. Moreover, a test of internal consistency results in a Cronbach's alpha of 0.74. This suggests that these six variables move together and can be combined into a reliable index.

I perform a factor analysis test with the six variables previously used to measure Nigerians' satisfaction with government service provision (Tables 5.17 and 5.18). Similarly, analysis confirms one dimension in this group of variables. Essentially, citizens' satisfaction is defined by all six variables: satisfaction with government health services (loading = 0.559); satisfaction with government water and sanitation services (loading = 0.607); satisfaction with government maintenance of roads and bridges (loading = 0.544); satisfaction with government electricity services (loading = 0.552); satisfaction with local government maintenance of local roads (loading = 0.707); satisfaction with local government maintenance of local markets (loading = 0.699). This factor explains 61% of observed variance, and a Cronbach's alpha of 0.80 suggests

that the six variables can be assembled into an index.

Based on these results, I produce two indices. The first captures the six variables characterizing one dimension of citizen perceptions of representation. The second index encompasses the other six variables that signify Nigerians' satisfaction with government performance. Using these two indices as independent variables, I conduct an OLS regression (with robust standard errors). I will again investigate the influence of citizen beliefs about representation and service provision on their willingness to pay taxes and actual tax payment. In this analysis, I hypothesize that Nigerians who perceive a higher level of representation from their elected officials (captured by the citizen representation index) will be more willing to pay taxes. These individuals will also report higher rates of actual tax payment. I also hypothesize that Nigerians who are more satisfied with government provision of public services (captured by the government performance index) will be more willing to comply with tax payment and follow through with these payments.

Table 5.19 reports the results of this analysis and supports these two hypotheses. Nigerians who perceive higher levels of representation from their elected officials are more willing to pay taxes (beta = 0.107). These citizens are also more likely to report making local tax payments (beta = 0.092), property tax payments (beta = 0.143), and income tax payments (beta = 0.114) in the last year. Furthermore, the index of citizen representation is the strongest predictor of Nigerians' willingness to comply with tax payment and actual payment of property and income taxes. In terms of payment of local taxes, citizen perceptions of representation are the second most powerful predictor (next to individuals' employment status, beta = 0.146).

Similarly, the index of citizen satisfaction with government performance also shares a significant, positive relationship with Nigerians' compliance with tax payment. Respondents

who are satisfied with how government is managing the provision of services are more willing to pay taxes (beta = 0.085). Satisfied Nigerians also report paying local taxes (beta = 0.077), property taxes (beta = 0.107), and income taxes (beta = 0.098) in the last year.

This analysis first establishes that citizen perceptions of the quality of representation from elected officials center around one dimension. Nigerian perspectives of how government manages various public services also characterize a single factor. Furthermore, after creating two indices, evidence suggests that “citizen representation” and “citizen satisfaction” help to explain the conditions under which Nigerians are most willing to pay taxes and follow through with actual tax payment. Individuals who observe higher levels of representation from their elected officials and who believe government is effective in handling service provision are also the most compliant with tax payment.

Robustness Check: Cross-Examining Government Performance and Willingness to Pay Taxes

In order to crosscheck the role of government performance in Nigerians’ quasi-voluntary compliance, I retest these hypotheses utilizing another public opinion dataset. In December 2011, an international consortium of researchers conducted a public opinion survey of 2,750 Nigerian citizens in 11 cities across the country.⁹¹ Topics of interest included perceptions of identity, security, personal and public finance, and government performance.⁹² Unlike the Afrobarometer

⁹¹ Collaboration between Drs. Adrienne LeBas (American University), Etannibi Alemika (University of Jos), Nic Cheeseman (University of Oxford), Olufunmbi Elemo (Graduate Student, Michigan State University; funded by the Improving Institutions for Growth (iiG) DFID Research Programme Consortium.

⁹² Cities included: Aba (in Abia State), Bauchi (in Bauchi State), Enugu (in Enugu State), Ibadan (in Oyo State), Jos (in Plateau State), Kaduna (in Kaduna State), Kano (in Kano State), Lagos (in

Public Opinion Survey, which focuses on both urban and rural areas, this new survey focuses exclusively on cities. Urban centers are considered particularly interesting and worth singular focus. This is the especially the case when discussing individual perceptions of government performance and finance. Urban dwellers are more likely to pay taxes, have direct contact with government, and have expectations of public service delivery (Bates, 1981/1983; Herbst, 2000).

Using this new dataset, I once again investigate the conditions under which Nigerians are most willing to pay taxes.

Research Design: Dependent, Independent, and Control Variables

Individual attitudes and behavior remain the key dependent variables. This new survey does not include questions asking the respondents about specific payment of taxes. For that reason, “willingness to pay taxes” will serve as the key dependent variable.⁹³ Specifically, the survey asks respondents to compare their current State government with the last administration: “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration?”

Turning to Figure 5.5, we see 45% of urban Nigerians describe themselves as less willing to pay taxes now than in the past. On the other hand, 55% of respondents say they feel the same about paying taxes or are more willing to pay now than in the past. With that said, across states, there

Lagos State), Lafia (in Nasarawa State), Onitsha (in Anambra State), and Sokoto (in Sokoto State).

⁹³ “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration in _____ State? Or would you say your attitude toward taxes is about the same?” 1=Less Willing, 2=About the Same, 3=More Willing

is variation in urban Nigerians' willingness to pay taxes (Figure 5.6). For example, Lagos and Plateau States have the highest percentage of city-dwellers who are more willing to pay taxes now than in the past. In Lagos, 45% of urban Nigerians indicate greater willingness, while in Plateau, 40% of respondents are more willing to pay now. Among other states, there is a significant drop in the percentage of individuals more willing to pay taxes now than under the past administration. The state with the third highest percentage of urban Nigerians who are more willing to pay taxes is Kaduna (22%). Of the states included in the survey, Aba has the smallest percentage of city-dwellers who are more willing to pay taxes (5%).

Following previous analyses, I hypothesize that variation in urban Nigerians' willingness to pay taxes is determined, in part, by their belief government will fulfill its end of the fiscal contract. Additionally, trust that other Nigerians will comply with tax payment also influences willingness to pay taxes. This new survey does not ask about respondents' trust (neither generally, nor specifically in terms of taxation). However, there are a series of indicators gauging respondents' satisfaction with government performance and service delivery. So, while this data set will not allow me to test both tenets of quasi-voluntary compliance, I will be able to cross-examine how citizen perceptions of government performance influence attitudes toward taxation. Moreover, since the Afrobarometer focuses on local and national government performance, this chapter's previous analyses provide evidence that local and national performance factor into citizens' calculations about their tax compliance. However, this new survey specifically asks urban Nigerians' about their evaluation of *state* government. Now, I will be able to investigate whether Nigerians also consider their state government's performance when determining their attitudes toward taxation.

Satisfaction with government performance (main explanatory variable) is operationalized using five individual indicators. First, respondents are asked how well (or badly) they think the current state administration is spending tax revenue.⁹⁴ I hypothesize that when Nigerians are more satisfied with how their state government is spending tax revenue, they will also be more willing to pay taxes. Next, respondents are asked to compare their current state government administration with the past one, and assess the conditions of the roads, public schools, government hospitals and clinics, and the water supply.⁹⁵ I expect that when a Nigerian believes the state government is managing road maintenance better than the previous administration, she will also be more willing to pay taxes. I also hypothesize that Nigerians who favorably evaluate state government management of public schooling, government hospitals/clinics, and supplying water will also be more willing to pay taxes. A Nigerian who is more satisfied with how her state government handles provision of these services will view her government as following through with the terms of the tax contract. As a result, she will be more willing comply with tax payment.

As for control variables, I use the respondent's (monthly) household income as a measure of her ability to pay taxes.⁹⁶ I expect urban Nigerians with higher household incomes will have

⁹⁴ "Here in _____ State, how satisfied are you with the way that the current administration has spent tax revenue?" 1=Not at all satisfied, 2=Not very satisfied, 3=Somewhat satisfied, 4=Very satisfied

⁹⁵ "Compared with the past administration in _____ State, have the following things in this area gotten better, worse, or have they stayed about the same? Condition of roads? Condition of public schools? Condition of government hospitals and clinics? Condition of water supply?" 1=Worse, 2=About the same, 3=Better

⁹⁶ "Please, can you estimate the monthly income for your whole household?" 1=I don't earn an income myself—other people support me, 2=Less than N5,000, 3=N5,000-N10,000, 4=N11,000-

a greater ability to pay taxes and will be more willing to pay taxes. I include respondent age as a control variable again, hypothesizing that older urban Nigerians will be less willing to pay taxes. Last, I control for corruption, reasoning that individuals who believe their government to be corrupt are less likely to believe government will fulfill their terms of the tax contract. Nigerians who view the government as corrupt are also less likely to believe tax evaders are being caught and punished. As a result, they will be less willing to pay taxes. In the new survey, respondents' experiences with government corruption will serve as the indicator. The survey asks respondents: "during the past 12 months, did any government official ask you or expect you to pay a bribe for his/her service?"⁹⁷ I expect that respondents who report having this experience with corruption will be less likely to pay taxes.

Table 5.20 presents each variable's summary statistics. Like in the previous analyses, I have excluded respondents who respond "don't know" or refuse to answer the any of the questions I use as an indicator (dependent, independent, control variables). Therefore, sample size drops from 2,750 to 1,638. Once again, to ensure the exclusion of respondents has not introduced bias into the analysis, I compare various demographic distributions in the original and new sample (Tables 5.21, 5.22, 5.23, 5.24, 5.25, 5.26).

Referring to Table 5.21, we see in the original sample, most respondents' report their household income as either between N16,000 and N25,000 (15%), between N26,000 and

N15,000, 5=N16,000-N25,000, 6=N26,000-N35,000, 7=N36,000-N45,000, 8=N46,000-N55,000, 9=N56,000-N75,000, 10=N75,000-N95,000, 11=N96,000-N120,000, 12=More than N120,000

⁹⁷ "In some areas, there is a problem of corruption among government or public officials. During the past 12 months, did any government official, for instance a customs officer, police officer, traffic officer, court official, pensions officer or building inspector ask you or expect you to pay a bribe for his/her service?" 1=No, 2=Yes

N35,000 (17%), or between N36,000 and N45,000 (14%). In the new sample, these three categories remain the most frequently reported. Turning to respondents' educational attainment (Table 5.22), 66% of urban Nigerians have completed secondary school. In the new sample, this percentage is slightly higher (67%). However, this difference is within the margin of sampling error. In the original sample, respondents most frequently identify as Catholic (17%), Christian (12%), or Muslim (10%) (Table 5.23). These three religious identities remain the three most reported, even maintaining the same distribution (with the exception of "Christian," which drops by one percentage point, within the margin of sampling error). Hausa (29%), Igbo (32%), and Yoruba (17%) ethnic groups make up the majority of the original sample (Table 5.24). This is still the case in the new sample; however, the percentage of Hausa respondents slightly decreases to 28%. The Igbo distribution increases by one percentage point and those identifying as Yoruba increase by two percentage points (Once again, both of these changes are within the sampling error). Table 5.25 describes the age distribution in the original and new sample. In both, most respondents report being between 25 and 34 years old. And last, while the gender distribution is evenly split between male and female respondents (50-50) in the original sample, the new sample is made up of 54% males and 46% females (Table 5.26). Given this 8% gap, I add gender as a control variable to mitigate any possible bias. Following with the previous analyses, I use ordered logistic regression analysis with robust standard errors.

Analysis and Results

Table 5.27 presents results of the analysis investigating the relationship between willingness to pay taxes and perceptions of government performance. The proportional odds

ratios are reported. As hypothesized, Nigerians' satisfaction with their state government's performance and service provision has significant and positive relationships to their willingness to pay taxes. Evidence confirms that when an urban Nigerian is satisfied with how the state government is managing tax revenue, she is more willing to pay taxes. In addition, across various measures of satisfaction with government service provision, when this respondent more favorably evaluates how her state government is handling the delivery, she will also be more compliant with tax payment.

Urban Nigerians who are more satisfied with how their state government is managing tax revenue are also more willing to pay taxes (POR = 1.000). Similarly, Nigerians who give more favorable reports of their state government's road maintenance are also more willing to comply with tax payment (POR = 1.461).⁹⁸ A one unit shift in a Nigerian's perception of the current government's management of roads (e.g. moving from "about the same as the last administration" to "better") increases the likelihood that she will be more willing to pay taxes by 1.461 times. In fact, of all the variables included, satisfaction with how government is managing roads is the strongest predictor of urban Nigerians' willingness to pay taxes.

Urban Nigerians who believe their current state government is managing public schools better than the previous administration are more willing to pay taxes (POR = 1.246).

⁹⁸ In this analysis of urban Nigerians' attitudes, satisfaction with road maintenance is the second most powerful predictor of willingness to pay taxes. Similarly, in the Afrobarometer analysis in the previous section, satisfaction with maintenance of roads, bridges, and local roads have strong positive relationships with Nigerian's willingness to pay taxes and actual tax payment (Table 5.14). The strength of this relationship is only surpassed by individuals' satisfaction with public provision of electricity. Evidence suggests that access to good roads (perhaps for the purpose of travelling to market/work or transporting goods/wares to market in rural and urban areas) and electricity serve as a sort of litmus test for tax payment. Moreover, evidence suggests that when Nigerians across urban and rural settings are satisfied with government maintenance of roads, they are also willing to pay taxes and more likely to follow through with actual payment. This relationship holds across multiple indicators and two datasets.

Respondents' satisfaction with their state government's management of public hospitals and clinics is also positively linked to their willingness to pay taxes (POR = 1.413). Finally, when urban Nigerians are more satisfied with the current government's management of water supply, they are also more willing to comply with tax payment (POR = 1.270).

As hypothesized in the literature, a respondent with more ability to pay (higher household income) are most more willing to pay taxes. However, contrary to Fjeldstad and Semboja (2001), age is significant and positively linked to Nigerians' willingness to pay taxes ((POR = 1.114). Older Nigerians seem to be more willing to comply with tax payment, which is more in line with previous literature on Western attitudes toward taxation (Spicer and Lundstedt, 1976). While corruption's negative influence on tax compliance is as expected, the relationship is not significant. This may be a result of using a measure gauging experience with corruption rather than perception (as in the previous analyses using Afrobarometer data). For example, only 30% of urban Nigerians indicate that, in the last year, they have been asked by various government officials to pay a bribe for services. It seems that many more urban Nigerians have not had a direct experience with government corruption. Thus, this variable may not influence their willingness to pay taxes. Yet, ultimately, the government performance variables exert the strongest (and positive) influence on taxpayers' attitudes toward tax payment.

This analysis further corroborates previous findings: Nigerians clearly have expectations of their local, state, and national governments before making tax payment. Taxpayers assess their leaders and the quality of their performance, be it substantive representation of their interests or provision of public services. When Nigerians determine that their government (at all levels) is in compliance with its end of the bargain, they will also be more willing to pay taxes. Although the new dataset does not allow me to test quasi-voluntary compliance's trust

component, the previous two analyses using Afrobarometer data confirm Nigerians who trust that other Nigerians are paying taxes are also more willing to pay taxes. The Afrobarometer analyses provide evidence that quasi-voluntary compliance explains attitudes toward taxation and actual tax payment. The analysis using the urban Nigeria dataset checks previous findings and corroborates the results. As hypothesized, when considering tax payment (both theoretically and actual payment), Nigerians use their assessments of government performance and trust to determine their attitudes and beliefs. At higher levels of satisfaction with local and national representation, Nigerians are more willing to pay taxes and more likely to follow through with tax payment. In addition, when Nigerians are more satisfied with local, state, and national public service delivery, they are also more willing to comply with tax payment. Last, when Nigerians trust other Nigerians are complying with tax payment, they are more willing to pay taxes and actually pay.

Conclusion

In sum, I have demonstrated the conditions under which citizens are most willing to pay taxes. Nigerians clearly understand their relationship to government as a contract: they undertake tax payment in expectation of representation of their interests in public policy and expenditures. Now understanding this, I characterize the exchange between leaders and citizens as a fiscal contract. Nigerian governments that generate more income from non-oil taxes are more likely to supply representation, incorporating their citizens' preferences into policy and via service provision. And Nigerian citizens are more willing to pay taxes to government, as they perceive elected officials are meeting demands for representation of public interests and service delivery. Given these two processes inform one another, it is important to rule out the possible

problem of endogeneity. In other words, are governments more representative as a result of taxing citizens, or, are representative governments better able to extract revenue from citizens via taxation?

I argue that political leaders in Nigeria need access to revenue; however, in this context, income can be obtained via taxes on citizens and petroleum wealth. With that said, access to revenue from natural resources is not guaranteed. As international oil prices fluctuate and decline and violence in the Niger Delta (location of Nigeria's oil producing states) increased, Nigeria's continued access petroleum revenue is unpredictable. Therefore, (subnational) states have begun cultivating internal revenue via taxation.

In the next chapter, I explore the reasons why elected officials and members of Nigeria's tax administration identify non-oil taxes as the optimal revenue source for development. I also outline how the movement from oil dependence to increased state tax capacity is an elite-driven process, propelled by elected officials' political initiative. Political elites make the first move. Because they want access to taxes from citizens, elected officials engage in representative behaviors and engage citizens in a public dialogue. In this bargain, elected officials make certain guarantees to citizens, assuring them that government will use tax revenue to meet public interests and needs. Through a comparison of Lagos and Kano States, I investigate why some states have been better at generating tax revenue than others. Ultimately, political leadership and initiative makes a difference and influences the nature of tax compliance among citizens.

Chapter Five Tables and Figures

Table 5.1: CROSSTABULATION, WILLINGNESS TO PAY TAXES AND BELIEF IN EXECUTIVE JUSTIFICATION HOW TAX INCOME IS SPENT (Row %)					
			TAX DEPARTMENT HAS A RIGHT TO MAKE PEOPLE PAY TAXES		
PRESIDENT MUST JUSTIFY SPENDING (1) VS. PRESIDENT IS FREE TO ACT ON OWN (2)	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE	STRONGLY AGREE
AGREE VERY STRONGLY WITH 1	6	12	11	42	28
AGREE WITH 1	5	23	13	44	15
AGREE WITH NEITHER	6	16	18	36	25
AGREE WITH 2	3	17	19	45	17
AGREE VERY STRONGLY WITH 2	4	8	12	47	29
CRAMER'S V					
0.113					

Table 5.2: CHI SQUARE TEST, DIFFERENCES IN RATES OF INCOME TAX PAYMENT (%)	NIGERIA	ALL AFROBAROMETER COUNTRIES (MEAN)	CHI SQUARE TEST RESULT
PAID IN LAST YEAR	30	22	chisq(1) is 0, p = 1
DID NOT PAY IN LAST YEAR	70	78	chisq(1) is 0, p = 1

Table 5.3: CHI SQUARE TEST, DIFFERENCES IN RATES OF PROPERTY TAX PAYMENT (%)	NIGERIA	ALL AFROBAROMETER COUNTRIES (MEAN)	CHI SQUARE TEST RESULT
PAID IN LAST YEAR	27	24	chisq(1) is 0, p = 1
DID NOT PAY IN LAST YEAR	73	76	chisq(1) is 0, p = 1

Table 5.4: CHI SQUARE TEST, DIFFERENCES IN RATES OF LOCAL GOVERNMENT TAX PAYMENT (%)	NIGERIA	ALL AFROBAROMETER COUNTRIES (MEAN)	CHI SQUARE TEST RESULT
PAID IN LAST YEAR	31	25	chisq(1) is 0, p = 1
DID NOT PAY IN LAST YEAR	69	75	chisq(1) is 0, p = 1

Table 5.5: HYPOTHEZED EFFECTS OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNME NT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
MAKE LOCAL COUNCILLOR LISTEN	+	+	+	+
MAKE MPs LISTEN	+	+	+	+
TIME LOCAL COUNCILLORS SPEND LISTENING	+	+	+	+
TIME MPs SPEND LISTENING	+	+	+	+
CONTACT LOCAL COUNCILLOR	+	+	+	+
CONTACT MP	+	+	+	+
TRUST OTHER PEOPLE YOU KNOW	+	+	+	+
TRUST OTHER NIGERIANS	+	+	+	+
EMPLOYMENT STATUS	+	+	+	+
AGE	-	-	-	-
LOCAL GOVERNMENT CORRUPTION	-	-	-	-
PARLIAMENT CORRUPTION	-	-	-	-
TAX OFFICIALS CORRUPTION	-	-	-	-

Table 5.6: SUMMARY STATISTICS-- EFFECT OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
PEOPLE MUST PAY TAXES	1641	3.613	1.151	1	5
PAID INCOME TAX	1641	0.294	0.456	0	1
PAID PROPERTY TAX	1641	0.264	0.441	0	1
PAID LOCAL TAXES	1641	0.306	0.461	0	1
MAKE LOCAL COUNCILLOR LISTEN	1641	1.410	0.995	0	3
MAKE MP_s LISTEN	1641	1.237	1.005	0	3
TIME LOCAL COUNCILLORS SPEND LISTENING	1641	0.751	0.846	0	3
TIME MP_s SPEND LISTENING	1641	0.631	0.788	0	3
CONTACT LOCAL COUNCILLOR	1641	0.421	0.810	0	3
CONTACT MP	1641	0.182	0.563	0	3
TRUST OTHER PEOPLE YOU KNOW	1641	1.349	0.920	0	3
TRUST OTHER NIGERIANS	1641	1.004	0.932	0	3
EMPLOYMENT STATUS	1641	2.113	1.725	0	5
AGE	1641	31.53	11.355	18	86
LOCAL GOVERNMENT CORRUPTION	1641	1.756	0.806	0	3
PARLIAMENT CORRUPTION	1641	1.682	0.793	0	3
TAX OFFICIALS CORRUPTION	1641	1.729	0.778	0	3

Table 5.7: DEMOGRAPHIC COMPARISONS BETWEEN ORIGINAL SAMPLE AND NEW SAMPLE	ORIGINAL SAMPLE (n = 2400)	NEW SAMPLE (n = 1641)
AGE	31.303	31.530
EDUCATION	4.402	4.535
EMPLOYMENT STATUS	2.013	2.113

Table 5.8: RELIGION OF RESPONDENTS (%)	ORIGINAL SAMPLE (n = 2400)	NEW SAMPLE (n = 1641)
CHRISTIAN ONLY	35	36
MUSLIM ONLY	31	32
ROMAN CATHOLIC	12	9

Table 5.9: ETHNICITY OF RESPONDENTS (%)	ORIGINAL SAMPLE (n = 2400)	NEW SAMPLE (n = 1641)
HAUSA	23	24
IGBO	16	15
YORUBA	21	23

Table 5.10: URBAN VS. RURAL DWELLERS (%)	ORIGINAL SAMPLE (n = 2400)	NEW SAMPLE (n = 1641)
RURAL	13	14
SMALL URBAN	36	39
LARGE URBAN	51	47

Table 5.11: GENDER DISTRIBUTION (%)	ORIGINAL SAMPLE (n = 2400)	NEW SAMPLE (n = 1641)
MALE	50	53
FEMALE	50	47

Table 5.12: EFFECT OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
MAKE LOCAL COUNCILLOR LISTEN	1.278* (0.089)	1.191* (0.086)	1.264* (0.103)	1.087* (0.089)
MAKE MPs LISTEN	0.988* (0.067)	0.917 (0.072)	0.819 (0.066)	0.899 (0.073)
TIME LOCAL COUNCILLORS SPEND LISTENING	1.191* (0.101)	0.986* (0.013)	1.031* (0.104)	1.133* (0.123)
TIME MPs SPEND LISTENING	0.862* (0.077)	0.961 (0.108)	1.088 (0.114)	1.038 (0.106)
CONTACT LOCAL COUNCILLOR	1.064* (0.079)	1.299* (0.111)	1.263* (0.111)	1.283* (0.109)
CONTACT MP	0.877* (0.079)	1.123 (0.127)	1.139 (0.133)	1.133 (0.124)
TRUST OTHER PEOPLE YOU KNOW	0.929 (0.068)	1.087 (0.099)	0.889 (0.081)	0.997 (0.092)
TRUST OTHER NIGERIANS	1.101* (0.076)	1.097* (0.095)	1.071* (0.098)	1.049* (0.094)
EMPLOYMENT STATUS	1.043* (0.031)	1.198* (0.039)	1.171* (0.039)	1.201* (0.041)

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Table 5.12 (cont'd): EFFECT OF QUALITY OF REPRESENTATION AND TRUST ON CITIZENS' WILLINGNESS TO PAY TAXES	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
AGE	1.101* (0.004)	1.101* (0.004)	1.101* (0.004)	1.102* (0.004)
LOCAL GOVERNMENT CORRUPTION	(-)0.856* (0.069)	(-)1.150* (0.096)	(-)1.072* (0.166)	(-)1.075* (0.103)
PARLIAMENT CORRUPTION	(-)1.115* (0.091)	(-)0.970 0.113)	(-)0.907 (0.113)	(-)0.975 (0.098)
TAX OFFICIALS CORRUPTION	(-)1.135* (0.064)	(-)1.017* (0.088)	(-)1.095* (0.088)	(-)1.117* (0.097)
GENDER	1.023 (0.097)	0.651* (0.076)	0.082* (0.099)	0.903* (0.105)
CONSTANT	--	0.211* (0.071)	0.151* (0.053)	0.108* (0.037)
LOG PSEUDOLIKELIHOOD	-2268.455	-952.058	-896.705	-938.464
N	1641	1641	1641	1641

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Table 5.13: SUMMARY STATISTICS-- EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
PEOPLE MUST PAY TAXES	1596	3.610	1.147	1	5
PAID INCOME TAX	1596	0.294	0.456	0	1
PAID PROPERTY TAX	1596	0.264	0.441	0	1
PAID LOCAL TAXES	1596	0.308	0.462	0	1
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	1596	2.329	0.909	1	4
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	1596	2.048	0.896	1	4
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	1596	2.182	0.928	1	4
SATISFACTION WITH GOVERNMENT ELECTRICICTY SERVICES	1596	1.781	0.893	1	4
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL ROADS	1596	1.987	0.906	1	4
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL MARKETS	1596	2.118	0.899	1	4

Table 5.13 (cont'd): SUMMARY STATISTICS--EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
MAKE LOCAL COUNCILLOR LISTEN	1596	1.407	0.992	0	3
MAKE MPs LISTEN	1596	1.223	1.005	0	3
TIME LOCAL COUNCILLORS SPEND LISTENING	1596	0.754	0.846	0	3
TIME MPs SPEND LISTENING	1596	0.632	0.787	0	3
CONTACT LOCAL COUNCILLOR	1596	0.411	0.799	0	3
CONTACT MP	1596	0.175	0.546	0	3
TRUST OTHER PEOPLE YOU KNOW	1596	1.354	0.919	0	3
TRUST OTHER NIGERIANS	1596	1.008	0.935	0	3
EMPLOYMENT STATUS	1596	2.112	1.723	0	5
AGE	1596	31.510	11.362	18	86
LOCAL GOVERNMENT CORRUPTION	1596	1.756	0.804	0	3
PARLIAMENT CORRUPTION	1596	1.684	0.796	0	3
TAX OFFICIALS CORRUPTION	1596	1.727	0.782	0	3
GENDER	1596	1.463	0.499	1	2

Table 5.14: EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	0.972* (0.055)	1.118* (0.076)	0.994* (0.072)	1.139* (0.075)
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	1.122* (0.064)	1.052* (0.073)	0.858* (0.088)	1.019* (0.070)
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	1.142* (0.065)	1.168* (0.077)	1.247* (0.083)	1.358* (0.081)
SATISFACTION WITH GOVERNMENT ELECTRICICTY SERVICES	1.256* (0.075)	1.247* (0.085)	1.292* (0.089)	1.376* (0.095)
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL ROADS	1.168* (0.072)	1.183* (0.089)	1.197* (0.072)	1.349* (0.105)
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL MARKETS	1.063* (0.065)	1.009* (0.076)	1.058* (0.105)	0.966* (0.076)

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Table 5.14 (cont'd): EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
MAKE LOCAL COUNCILLOR LISTEN	1.250* (0.089)	1.129* (0.092)	1.276* (0.109)	1.113* (0.095)
MAKE MPs LISTEN	1.158* (0.069)	0.922 (0.074)	0.842 (0.071)	0.906 (0.077)
TIME LOCAL COUNCILLORS SPEND LISTENING	1.173* (0.102)	1.021* (0.112)	1.278* (0.110)	1.193* (0.103)
TIME MPs SPEND LISTENING	1.073* (0.082)	0.974 (0.113)	1.131 (0.123)	0.906 (0.077)
CONTACT LOCAL COUNCILLOR	1.067* (0.079)	1.321* (0.115)	1.278* (0.110)	1.204* (0.137)
CONTACT MP	1.068* (0.082)	0.881 (0.133)	0.912 (0.123)	0.862 (0.132)
TRUST OTHER PEOPLE YOU KNOW	0.951 (0.072)	0.918 (0.103)	0.914 (0.087)	0.827 (0.096)
TRUST OTHER NIGERIANS	1.241* (0.076)	1.292* (0.099)	1.285* (0.116)	1.267* (0.099)
EMPLOYMENT STATUS	1.033* (0.031)	1.201* (0.039)	1.172* (0.041)	1.219* (0.042)

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Table 5.14 (cont'd): EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
AGE	1.006* (0.004)	1.011* (0.005)	1.019* (0.005)	1.021* (0.005)
LOCAL GOVERNMENT CORRUPTION	(-)0.974* (0.067)	(-)1.182* (0.098)	(-)1.151* (0.101)	(-)1.230* (0.104)
PARLIAMENT CORRUPTION	(-)1.116* (0.094)	(-)0.904 (0.114)	(-)0.842 (0.117)	(-)0.823 (0.105)
TAX OFFICIALS CORRUPTION	(-)1.091* (0.067)	(-)1.218 (0.091)	(-)1.130 (0.110)	(-)1.089 (0.097)
GENDER	1.051 (0.102)	0.864* (0.081)	0.885* (0.110)	0.936* (0.112)
CONSTANT	--	0.317	0.246	0.110
LOG PSEUDOLIKELIHOOD	-2202.473	-921.025	-852.962	-903.239
N	1596	1596	1596	1596

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Table 5.15: FACTOR ANALYSIS OF CITIZEN PERCEPTIONS OF REPRESENTATION INDICATORS (Orthogonal Varimax Principle Factors)		
FACTOR	VARIANCE	PROPORTION
FACTOR 1	1.332	0.467
OBSERVATIONS	1596	1596
RETAINED FACTORS	1	1
NUMBER OF PARAMETERS	15	15
CHI2 (15)	3371.3	3371.3
PROB > CHI2	0	0

Table 5.16: FACTOR ANALYSIS OF CITIZEN PERCEPTIONS OF REPRESENTATION INDICATORS (Rotated Factor Loadings)	
VARIABLE	FACTOR 1
MAKE LOCAL COUNCILLOR LISTEN	0.601
MAKE MPs LISTEN	0.621
TIME LOCAL COUNCILLORS SPEND LISTENING	0.657
TIME MPs SPEND LISTENING	0.644
CONTACT LOCAL COUNCILLOR	0.549
CONTACT MP	0.496

Table 5.17: FACTOR ANALYSIS OF CITIZEN SATISFACTION WITH GOVERNMENT PERFORMANCE INDICATORS (Orthogonal Varimax Principle Factors)		
FACTOR	VARIANCE	PROPORTION
FACTOR 1	1.395	0.613
OBSERVATIONS	1596	1596
RETAINED FACTORS	1	1
NUMBER OF PARAMETERS	15	15
CHI2 (15)	2819.4	2891.4
PROB > CHI2	0	0

Table 5.18: FACTOR ANALYSIS OF CITIZEN SATISFACTION WITH GOVERNMENT PERFORMANCE INDICATORS (Rotated Factor Loadings)	
VARIABLE	FACTOR 1
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	0.559
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	0.607
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	0.544
SATISFACTION WITH GOVERNMENT ELECTRICICTY SERVICES	0.552
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL ROADS	0.707
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL MARKETS	0.699

Table 5.19: EFFECT OF QUALITY OF REPRESENTATION AND SATISFACTION WITH GOVERNMENT PERFORMANCE INDICES ON CITIZENS' WILLINGNESS TO PAY TAXES	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
CITIZEN REPRESENTATION	0.107*	0.092*	0.143*	0.114*
CITIZEN SATISFACTION	0.085*	0.077*	0.107*	0.098*
TRUST OTHER PEOPLE YOU KNOW	0.013	0.04	0.029	0.007
TRUST OTHER NIGERIANS	0.056*	0.054*	0.057*	0.058*
EMPLOYMENT STATUS	0.019	0.146*	0.118*	0.154*
AGE	0.032	0.065*	0.098*	0.109*
LOCAL GOVERNMENT CORRUPTION	-0.092*	-0.063*	-0.053*	-0.058*
PARLIAMENT CORRUPTION	-0.050*	-0.043	-0.019	-0.003
TAX OFFICIALS CORRUPTION	-0.057*	-0.052*	-0.053*	-0.066*
GENDER	0.008	-0.087*	-0.029	-0.017
CONSTANT	3.591	0.228	0.193	0.208
STANDARD ERROR	0.195	0.075	0.069	0.072
R2	0.210	0.268	0.264	0.264
N	1596	1596	1596	1596

Notes: Values are standardized OLS regression coefficients (betas).

*p < 0.05

Table 5.20: URBAN NIGERIA, SUMMARY STATISTICS-- EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
WILLINGNESS TO PAY TAXES	1638	1.744	0.752	1	3
SATISFACTION WITH GOVT. TAX SPENDING	1638	2.260	0.967	1	4
SATISFACTION WITH ROAD MAINTENANCE	1638	2.073	0.837	1	3
SATISFACTION WITH PUBLIC SCHOOL MAINTENANCE	1638	2.045	0.757	1	3
SATISFACTION WITH HOSPITAL MAINTENANCE	1638	2.062	0.777	1	3
SATISFACTION WITH WATER SUPPLY	1638	1.822	0.766	1	3
HOUSEHOLD INCOME	1638	6.676	2.345	1	12
AGE	1638	3.184	1.336	1	7
EXPERIENCE WITH GOVERNMENT CORRUPTION	1638	1.305	0.46	1	2
GENDER	1638	1.544	0.498	1	2

Table 5.21: URBAN NIGERIA, DISTRIBUTION OF HOUSEHOLD INCOME	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
N16,000 - N25,000	15	14
N26,000 - N35,000	17	16
N26,000 - N45,000	14	14

Table 5.22: URBAN NIGERIA, DISTRIBUTION OF RESPONDENTS' EDUCATION (%)	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
PRIMARY SCHOOL COMPLETED	10	6
SOME SECONDARY SCHOOL	10	10
SECONDARY SCHOOL COMPLETED	66	67

Table 5.23: URBAN NIGERIA, RELIGION OF RESPONDENTS (%)	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
CATHOLIC	17	17
CHRISTIAN (GENERAL)	12	11
MUSLIM (AHMADDIYA)	10	10

Table 5.24: URBAN NIGERIA, ETHNICITY OF RESPONDENTS (%)	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
HAUSA	29	28
IGBO	32	33
YORUBA	17	19

Table 5.25: URBAN NIGERIA, AGE DISTRIBUTION (%)	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
20 - 24 YEARS OLD	23	20
25 - 34 YEARS OLD	36	37
35 - 44 YEARS OLD	16	17

Table 5.26: URBAN NIGERIA, GENDER DISTRIBUTION (%)	ORIGINAL SAMPLE (n = 2750)	NEW SAMPLE (n = 1638)
MALE	50	54
FEMALE	50	46

Table 5.27: URBAN NIGERIA, EFFECT OF GOVERNMENT PERFORMANCE ON CITIZENS' WILLINGNESS TO PAY TAXES	WILLINGNESS TO PAY TAXES
SATISFACTION WITH GOVT. TAX SPENDING	1.000* (0.002)
SATISFACTION WITH ROAD MAINTENANCE	1.461* (0.101)
SATISFACTION WITH PUBLIC SCHOOL MAINTENANCE	1.246* (0.068)
SATISFACTION WITH HOSPITAL MAINTENANCE	1.413* (0.116)
SATISFACTION WITH WATER SUPPLY	1.270* (0.085)
HOUSEHOLD INCOME	1.033* (0.019)
AGE	1.114* (0.039)
EXPERIENCE WITH GOVERNMENT CORRUPTION	-0.991 (0.099)
LOG PSEUDOLIKLIHOOD	-1765.149
N	1638

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Figure 5.1: “The tax department always has the right to make people pay taxes.”

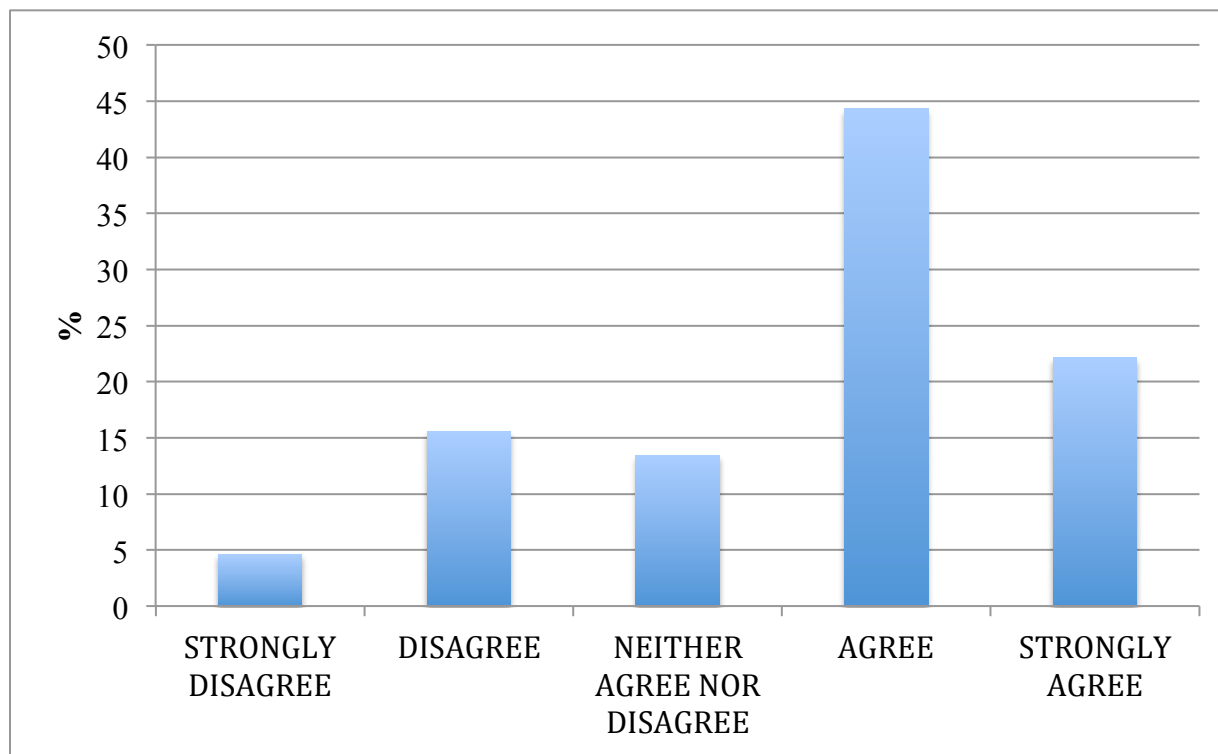


Figure 5.2: “Which of the following statements is closest to your view? Choose Statement 1 or Statement 2.
Statement 1: The National Assembly should ensure that the President explains to it on a regular basis how his government spends taxpayers’ money.
Statement 2: The President should be able to devote his full attention to developing the country rather than wasting time justifying his actions.

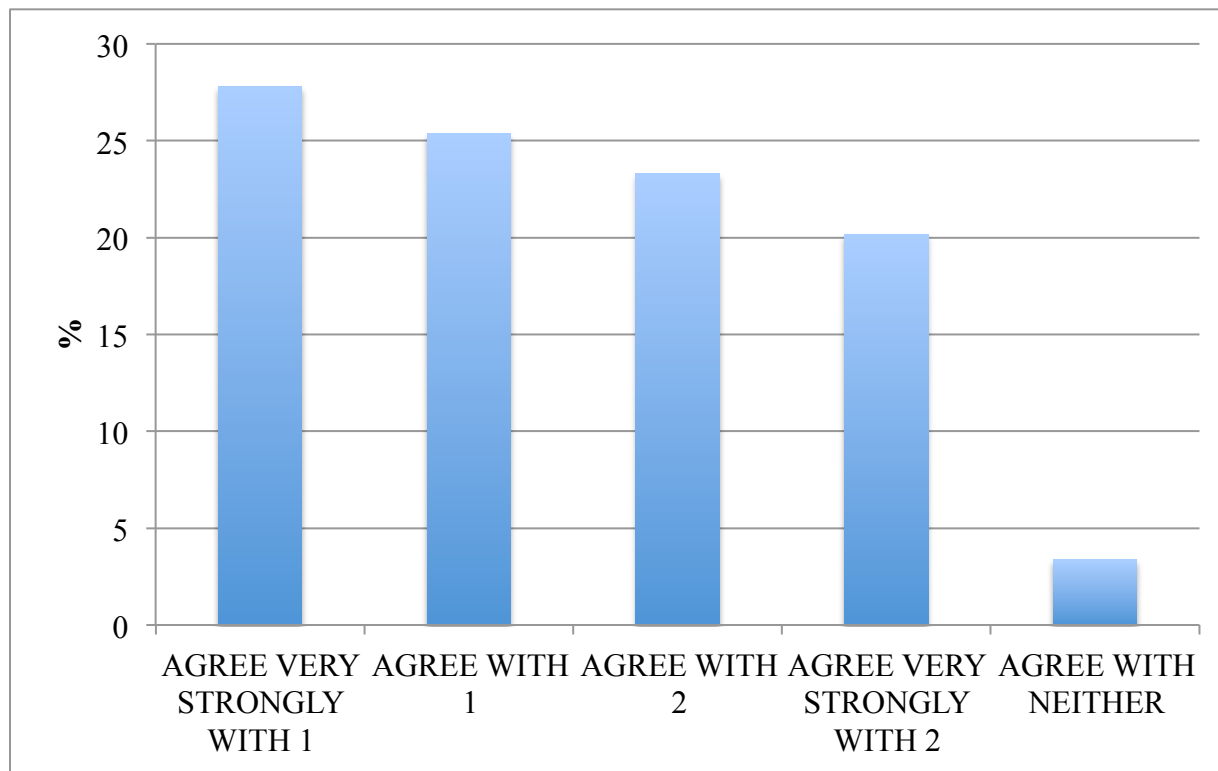


Figure 5.3: “Who do you think actually has *primary* responsibility for: Collecting income taxes?”

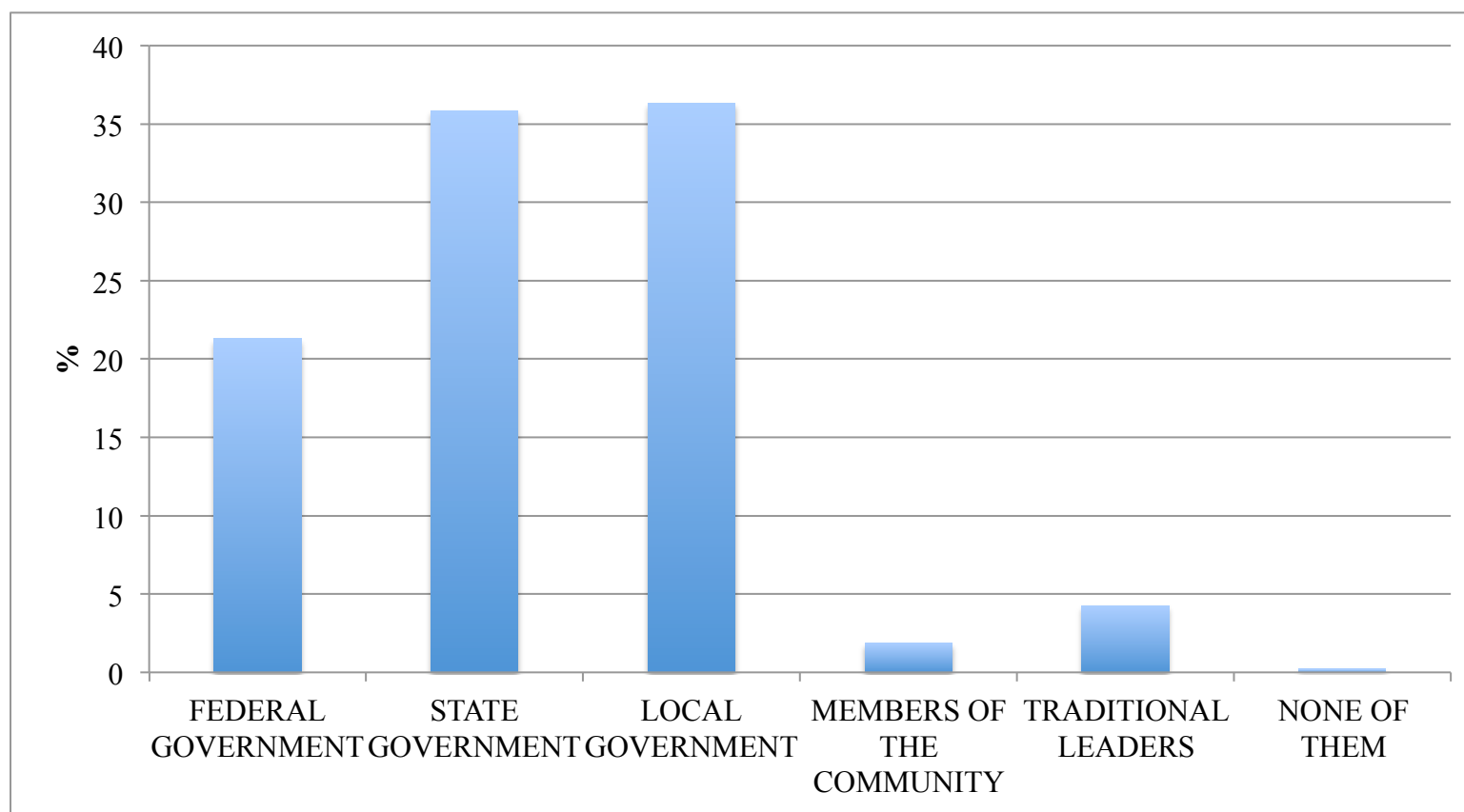


Figure 5.4: “Have you had to make any of the following payments during the past year...”

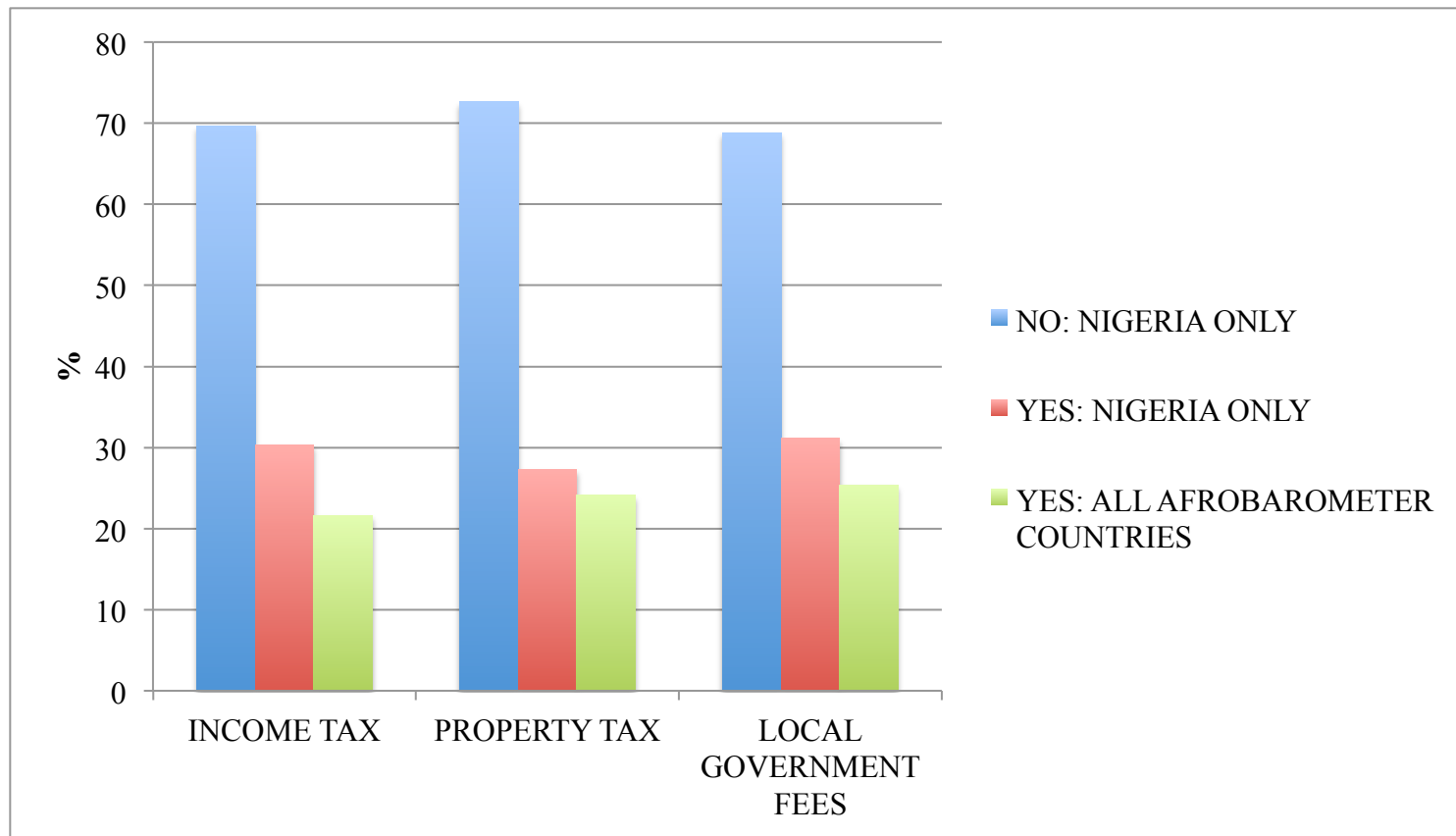


Figure 5.5: “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration in ____ State? Or would you say your attitude toward taxes is about the same?”

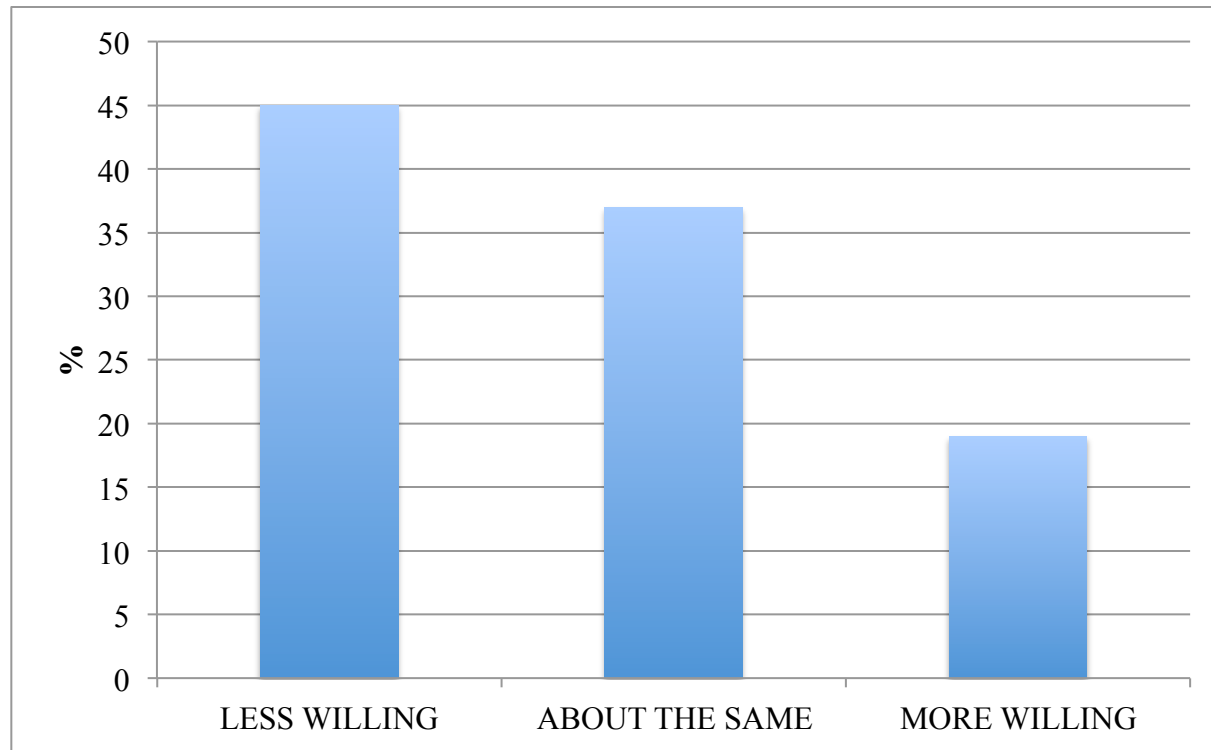
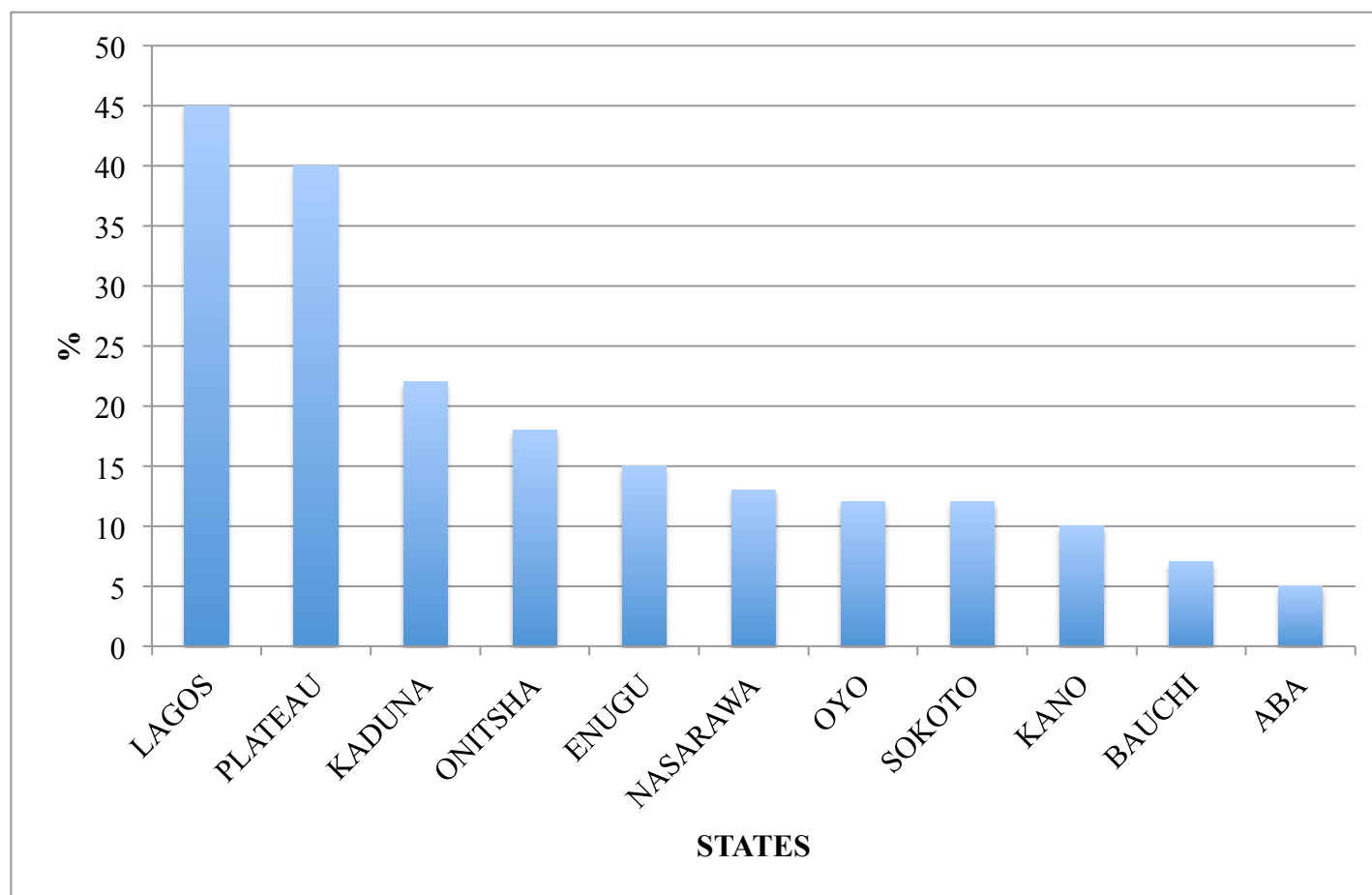


Figure 5.6: (ACROSS STATES) “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration in ____ State? Or would you say your attitude toward taxes is about the same?”



CHAPTER SIX

Comparing Tax Cultures in Lagos and Kano

Background

Analyses in previous chapters demonstrate that, in Nigeria, revenue and representation are linked. At macro and micro levels, state governments that generate more income from non-oil taxes on citizens are also more representative of citizens. These states spend less on government salaries and allowances, instead devoting public resources to non-recurrent expenditures, including service provision. Likewise, legislators in states with greater capacity to extract taxes report spending more time performing constituency services. They are also more likely to report prioritizing the views of their constituents in decision-making. Chapter Five moves beyond the how revenue influences elite representation, demonstrating how ordinary citizens perceive the fiscal contract. Nigerians are more willing to pay taxes and report actual tax payment when they observe a higher quality of representation from elected officials. Similarly, a Nigerian who is more satisfied with government performance (national, state, local) is also more willing to pay taxes and follow through with actual tax payment. Looking within regions and using intra-regional variation, these revenue-representation relationships manifest across Nigeria.

Now I consider these linkages across regions in Nigeria by comparing Lagos and Kano States. Though Lagos (South-West) and Kano (North-West) share similar levels of development, there is a large gap between the two states in terms of tax effort. Over the last 10 years, Lagos, on average, generated 53% of state income from taxes on citizens. On the other hand, Kano State averaged only 13% of state income from taxation. This chapter begins with an assessment

of the levels of socio-economic development in Lagos and Kano, establishing that the two states are comparable. Next, I consider why there is a difference between each state's capacity to generate tax income. I rely on original interviews with tax administrators and archival documents to perform an analysis of the Lagos and Kano State Revenue Boards. Ultimately, I argue the higher rate of tax generation in Lagos (in comparison to Kano) can be attributed to elite political initiative. Through legislation, Lagos' Governor Fashola and members of the Lagos House of Assembly have empowered the State Internal Revenue Board (SIRB) to educate the public about the fiscal contract while pursuing/punishing evaders. On the other hand, in Kano, rather than strengthening the SIRB's capacity, Governor Shekarau and political elites have instead pursued efforts to increase the state's share of petroleum income. Finally, I investigate how the differences between Lagos Kano and result in two different tax cultures, manifested in elite and citizen perceptions of the tax contract.

Comparing Lagos and Kano: Socio-Economic Indicators

In the period since Nigeria's 1999 return to democracy, I find that Lagos and Kano share similar demographic, social, and economic attributes.⁹⁹ Looking at Table 6.1, we see both states have around nine million citizens. Taking into account Nigeria as a whole, Lagos State citizens make up 6.4% of the national population. Similarly, Kano's state population is also about 6.7% of the whole. With that said, while Kano State has an area of roughly 7,700 square miles, Lagos State is one-sixth that size (1300 square miles). In terms of population density, there are about

⁹⁹ The statistics presented are from two 2006 and 2007 (respectively) reports from the Nigerian National Bureau of Statistics: Social Statistics in Nigeria, 2005 and 2006 Population Census.

6,718 people per square mile, compared to 1,207 people per square mile in Kano. Moreover, in Lagos, 93% of individuals reside in urban areas, while in Kano, this percentage is smaller (35%).

Lagos and Kano are also similar in regards to education, health, and employment. Students enrolled in public primary school make up about 14% of Lagos and Kano's state populations. Those enrolled in secondary school are roughly 16% of Lagos State's populace; in Kano, this figure is closer to 12%. Looking at the ratio of state population to number of primary health care facilities, in Lagos there are about 8,000 people to 1 facility. This ratio is higher in Kano state where there are 10,000 people to each primary health care facility.

Finally, looking at employment, about 37% of the populations that are of working age in Lagos and Kano State are employed. Table 6.2 describes the distribution of activities in which the working population is engaged. Private business via wholesale and retail trade is the dominant mode of employment in both states. 40% of Lagos' employed citizens work in this sector, compared with 33% of Kano's labor force. In Lagos, occupations in the service industry (e.g. hotels and restaurants, financial services, social and personal services) are the second-most common. 20% of employed Lagosians work in services, while 14% of Kano's labor populace also works in this industry. In Lagos State 8% of the workforce are engaged in manufacturing and 7% in public administration. In Kano, between 2% and 3% of working people are in these two industries.

With that said, there are key differences between Lagos and Kano, both in terms of their working populations and ethno-religious characteristics. For example, 25% of Kano's working population is engaged in agriculture, making it the second-most popular in the state. On the other hand, in Lagos, only 2% of employed individuals work in this area. According to Nigerian

tax administrators, agriculture (particularly, smaller-scale farming) tends to be a difficult sector to tax (for example, because of the informal nature of record-keeping). On the other hand, individuals employed in the service sector generally work in more formal business settings. These employers are easier to pursue for tax information and payments.

In addition, there are large differences in the ethnicities of Lagos' and Kano's populations. In Lagos, 69% of the population is Yoruba, while 16% identifies as Igbo. On the other hand, in Kano, 93% of the population belongs to the Hausa-Fulani ethnic group. These disparities also apply to religion: in Lagos, the majority of the population (61%) identify themselves as Christians. On the other hand, in Kano, most people (40%) are Muslim, 16% are members of the Izala movement (an Islamic society), and 12% identify as Sunni Muslims.

Despite these differences, I argue that a comparison between Lagos and Kano would be fruitful. These two states are the most populous in the federation with the same percentage of employed persons. Lagos and Kano have access to tax-bases of similar size. Taken together with their socio-economic similarities, one would also expect similar levels of tax effort. However, this is not the case. For example, between 2005 and 2009, the yearly portion of Lagos' income derived from taxes was between three and five times that of Kano State (Table 6.3).¹⁰⁰ Why has Lagos State been able to augment its capacity to extract taxes, while taxes (as a portion of total revenue) in Kano have increased at a more modest pace? Using evidence from interviews with members of Lagos' and Kano's tax administration and, I investigate the origins of these differences.

¹⁰⁰ For a more in-depth discussion of Lagos and Kano's tax and oil dependence, see Chapter Four: Regional Variation in Tax and Oil Dependence: Case Selection and Revenue in the South-West and North-West Cases.

Explaining Lagos' Tax Capacity: Political Leadership and Civic Education

Over the last ten years in Nigeria's post-authoritarian period, the Lagos State Internal Revenue Service (LIRS), acting on behalf of the state government, launched several projects to increase tax generation. In interviews with two high-level LIRS administrators, internally generated revenue via taxation and tax-led development are identified as superior to petroleum income. As one official asserts, "Oil is subject to international fluctuations and economic downturns. We can't always rely on it. Lagos is among the first states in Nigeria to understand this" (Director #1, Lagos Internal Revenue Service, June 1, 2011). A second tax administrator agrees:

"For sustainable and meaningful development, taxation is necessary. Nigeria cannot only have an oil economy. Natural resources are not there forever. It's not sustainable for economic development. Taxes come yearly. As long as we invest appropriately in development, taxes will regenerate. Taxes are the only viable means" (Director #2, Lagos Internal Revenue Service, Personal Communication, June 8, 2011).

LIRS officials have specified how political initiative from the executive and legislative arms of government is paramount to the success of taxation in Lagos:

"Recently, there's even more realization that states can't survive without internally generated revenue. Politicians have put pressure on the civil service to improve the tax administration. They have also been encouraging citizens to make their payments." (Director #2, Lagos Internal Revenue Service, Personal Communication, June 8, 2011).

In fact, the Lagos State Government has been active in engaging citizens in an open dialogue about the tax contract and current reforms. For example, in an address to the Fourth Lagos State Taxation Stakeholder's Conference, Governor Babatunde Fashola was very clear about the government's stance:

"In the great social contract which binds all organized societies, the ability of government and public officers to play their part depends largely on resources made available to them; and the most certain, most durable, and most sustainable of these resources are the

public funds which the people themselves contribute by way of taxation...In Lagos, in Nigeria, and throughout the world, it is becoming increasingly clear that a government cannot do more than it is financially empowered to do, and that taxation remains the golden key to economic development...beware of politicians who are coming to promise you that they can achieve development without enforcing the collection of taxes. Sweet as it may sound, the promise of lower and lower taxes must translate to lower and lower resources for government and eventually undermine government's ability to tackle even the basic developmental challenges that daily confront us in the great megacity of ours (December 8, 2010).

Under Governor Fashola's leadership, The House of Assembly has joined Governor Fashola in affirming the importance of taxation to the state through legislation. For example, after LIRS conducted an investigation into citizen and civil society complaints to identify the most prevalent problems in tax administration. The results of this inquiry revealed that tax collection at the local level was the most problematic. The lack of information between local authorities and the taxpayers led to the collection of illegal taxes by fake tax collectors. And in the case of legal taxes, there were even reports of "unscrupulous revenue officers in the habit of varying the amounts payable to facilitate unlawful negotiations and extorting bribes from taxpayers" (Ipaye, 2010). As a response, LIRS officials collaborated with the Lagos State Legislature to draft the Local Government Levies Law (passed into law in April 2010). This law lists the levies state and local governments can collect. It also stipulates that local and state tax officials are required to present official identification when interacting with citizens. Tax collecting authorities must explicitly publish the legal taxes and the how they will be administered and collected. Moreover, "the use of roadblocks and other obstructions for purposes of tax collection" is strictly prohibited.

Members of Governor Fashola's political party in the state legislature (Action Congress of Nigeria, also the majority party in the House of Assembly) supported the executive and bureaucratic effort to increase tax capacity at the local level. As one legislator remarks:

“We cannot give in to the attempts to slow down our tax drive. We must ensure that we administer taxes correctly, and this new law will allow us to do so. We must clear any areas of doubt or confusion in taxation. We can make sure that tax payment reaches government coffers and can be used for our common benefit” (Lagos State Honourable #2, Lagos State House of Assembly, Personal Communication, May 10, 2011).

With that said, there was some opposition from members of the minority People’s Democratic Party. According to another legislator,

“it is unconstitutional for local governments and even state governments to be collecting their own revenue. All revenue should be collected in one pool. All taxes should go to the Federation Account. From there, it can be disbursed to the federal state, and local level” (Lagos State Honourable #19, Lagos State House of Assembly, Personal Communication, May 16, 2011).

Although the majority party prevailed and the Local Government Levies Law passed, politicians and tax administrators recognized that reforms to tax collection could not be achieved without popular support and understanding of taxation. Armed with legal authority, LIRS has taken this message directly to Lagosians. By focusing on income tax payment and collection, officials have engaged in a campaign to educate citizens about the fiscal contract, conveying how paying one’s taxes is a civic responsibility with clear benefits in terms of representation and service provision. In an interview, a tax administrator comments that:

“Before government can charge taxes, we must show how the revenue is used to provide services. Government must demonstrate to citizens that the money from taxes is used to develop infrastructure and facilitate business through access to shops, land, and credit. We use the money from taxes to create an enabling environment for citizens. Once people understand this, they will pay” (Director #2, Lagos Internal Revenue Service, Personal Communication, June 8, 2011)

For example, in an address to the Lagos State Branch of the Medical Women’s Association of Nigeria on International Women’s Day, Mr. Tunde Fowler, Executive Chairman and CEO of the Lagos State Internal Revenue Service, outlines how taxation benefits women:

“Women cannot be separated from the general society; when we talk about the society, we are talking about women and when we speak of the women, we are talking about the

society. This is so because of the critical roles women play in the economic, political, and social development of the society... ‘Health with the spirit of a mother’ is only attainable because government provides the necessary enabling environment, which is financed from taxation. Taxation is the bedrock of financing government activities and the benefits to society derives from the provision of these services” (March 8, 2009).

Likewise, in a presentation to the National Association of Banking and Finance Students, Mr. Fowler emphasizes the contractual nature of tax payment, and what non-compliance would mean for the ordinary citizen:

“The payment of taxes on income is a first principle of the social contract between the government and the governed. As that great American Statesman, Franklin D. Roosevelt, puts it, ‘taxes, after all, are dues that we pay for the privileges of membership in an organized society.’ It is the price we pay and must continue to pay for a civilized society. The people are at liberty to question the administration of the tax laws and demand accounting through their elected representatives. But no viable state can exist without tax. If government did not impose taxes, there would be nothing public. No highways, no public hospitals and schools, no law enforcement, no courts, no fire service, no waste collection, and so on” (October 28, 2010).

LIRS stresses how every able citizen must make their contribution through tax payment, “all income earners should pay tax. We all pay, no matter how small our incomes” (Ipaye, 2009). As a result, members of the tax administration have worked to expand the tax net while making compliance easier. This is particularly the case when dealing with the informal sector. Mr. Ade Ipaye, Special Adviser to the Governor of Lagos State on Taxation and Revenue, outlines these efforts in a 2009 report. The informal economy refers to economic activities that occur outside of government records and regulations. Because it involves “small-scale, largely self-employment activities, the informal sector is difficult to measure.” With that said, Lagos State tax administrators assert value in the informal economy:

“No doubt [the informal sector is] highly dynamic and pervasive, contributing substantially to employment and personal or household income. As a result, the informal sector is a major contributor to economic growth...it also provides competition in the economy and enhances innovation and adaptation, mobilizing capital and human resources which would otherwise been laid waster and idle” (Fowler, 2010).

Since LIRS promotes payment from all income-earning individuals, no matter how small their income, the tax administration has made reforms in order to enhance compliance from those working in the informal sector. For example, LIRS has increased the number of offices and locations. Individuals can file and pay taxes at over 120 bank branches, 36 tax stations, and mini-stations located in various markets. In addition, “forms can be obtained in all these locations and there are officers ready, able, and willing to explain the process absolutely free of charge” (Ipaye, 2010). Now, instead of travelling long distances and missing work in order to pay taxes, the process can be done at the taxpayer’s convenience. Second,

“The informal sector, as the name connotes, [is made up of] very informal people. They don’t keep accurate records. We have had to have discussions with them and agree on what is called a minimum tax expectation based on their income...a minimum of N2,500, then we’ve moved up gradually from there” (Fowler, 2010).

Furthermore, LIRS provides a table on the back of the tax forms where individuals can assess their income and expenditures with reference to others in their line of business. Then a taxpayer can make the corresponding income tax payment. The new Revenue Complaints and Information Unit investigates any problems, including any problems a taxpayer may experience with LIRS staff members. Finally, LIRS has urged members of the informal sector to join trade/business associations:

“This makes communication easier as we can most easily pass information or receive information from [those employed in the informal sector] through those associations...[For example,] staff members of LIRS have always attended the market men and women association meetings, and this offers the opportunity to answer members’ questions, take messages to government, and clear up outstanding issues. We have also arranged meetings with several other associations and trade groups in order to achieve the same end” (Ipaye, 2009).

Through community awareness campaigns, commercials, billboards/placards, films, documentaries, radio jingles, and other various means, LIRS (on behalf of the Lagos State Government) has entered into an explicit bargain with citizens. Pay taxes and government will use that income to address citizens' needs, improve infrastructure, and develop the state. A high-level director at the Nigerian Ministry of Finance cites Lagos State as an example for the federation to follow:

“How I wish there were Fasholas in all states of Nigeria. Taxation is a mutual relationship: government must provide social amenities and people must pay tax. Every citizen has an obligation and civic responsibility to pay. It's like voting. But if leaders can demonstrate what tax revenue can do, the community willingly pays. People in Lagos have seen the changes, the good roads and infrastructure. In Lagos, government functions for the people. Now people are eager to pay taxes because they see the benefits. They are diversifying the tax base by bringing the informal economy under the tax net and stopping the leakages. Lagos shows that in Nigeria, the will is there” (Director, Nigerian Ministry of Finance, Personal Communication, March 29, 2011).

Lagos officials identify tax income as the most optimum form of revenue, engaging in an explicit bargain with citizens. These officials aim to educate citizens about the role of taxation in society and the benefits ordinary people derive with tax income in regularized. Ultimately, these efforts have started to shift the tax culture in Lagos State. Through political leadership (e.g. putting taxation on the public agenda, legislation) and civic education, Lagos State engages citizens and has entered into a tax contract. By outlining the benefits of taxation to society as a whole and specific groups and simplifying the tax payment process, LIRS works to change Lagos' increase tax compliance.

A Contrast with Kano: The Lack of Political Will and an Adversarial Tax Culture

Turning to Kano State, we observe a markedly different relationship between the state revenue service and political arms of government. As in Lagos, tax administrators in the Kano Board of Internal Revenue (KBIR) identify tax revenue as superior to petroleum income; however, State Governors have not prioritized taxation in the public agenda or reforms to the state tax administration. Without political leadership and resources, KBIR has not been able to engage or educate citizens about the tax contract. Kano's tax administration, in conjunction with the World Bank, has outlined various strategies to place tax reform and compliance on the political agenda, working to shift elite and public perceptions.

In an interview with a top KBIR director, internally generated income through taxation is the best way to fund development:

“Certainly yes. It is through tax that we can build infrastructure. But in Kano, if the statutory allocation [federal transfers of petroleum income] was not there, how would Kano survive? This is the big question. We can only survive through tax revenue. We must tap taxation to survive in future” (Director, Kano Board of Internal Revenue, Personal Communication, July 5, 2011).

Like his counterparts in Lagos State, this KBIR administrator believes tax-based development is the most reliable and sustainable. However, he emphasizes that Kano is not meeting its potential:

“We should collect five billion naira per month in taxes, but we collect far less, between five and six hundred million. We are not collecting enough. In fact, it is grossly inadequate.”¹⁰¹

¹⁰¹ This is compared to Lagos State, which reports generating an average of 14.5 billion naira per month in tax revenue (Fowler, 2010).

When asked to describe the nature of KBIR's relationship with elected officials, particularly the Governor and Kano's House of Assembly, this director describes an adversarial one, in which the state tax administration has been relegated:

"For now, [politicians] have not grasped the benefits to accrue from taxation. There is a total lack of support for the tax administration. The facilities don't meet our needs. The board [KBIR] is treated as if we are not a ministry. We are not given resources. We don't have vehicles or computers. There is not enough for the adequate payment for our salary. There is no capacity building. There is no political pressure on citizens to pay tax."

Rather than develop state tax capacity, Kano's State Governors (as a part of the Northern Governors Forum) have called for reforms to the formula for allocating federal oil income. Over the last four years, these state executives have sought to increase the percentage of oil income coming to Northern States. In particular, Governor Kwankwaso of Kano (1999 – 2003) opposed the derivation principle, whereby states that produce petroleum collect an additional 13% of oil income (on top of revenue from the standard allocation). According to Governor Kwankwaso:

"The South-South [location of petroleum producing states] get more than their northern counterparts from [oil] incomes emanating from the Federation Account. It implies that some states in the country are getting richer while others get poorer by the day. This has been unfair to majority of Nigerians especially the northern states. It is unfair for oil states to be receiving huge sums of money. The North today is in a very grave situation where illiteracy, poverty and general backwardness are on the rise. This is a result of the unfavorable federation allocation structure in which the Northern states are at a great disadvantage" (February 24, 2012, Address to Northern Governors Forum during the Inauguration of the Sir Ahmadu Bello Memorial Foundation Advisory Council).

However, members of Kano's tax administration have criticized Governor Kwankwaso, instead arguing that:

"It is irresponsible to ask for more revenue based on what is given to oil bearing states. Rather than ask for more funds from the federal government, Kano should explore ways of more money for itself. Leaders should concentrate on diversifying of our revenue base and use sustainable alternatives like taxes" (Director, Kano Board of Internal Revenue, Personal Communication, July 5, 2011).

In 2009, KBIR collaborated with the World Bank and the UK Department for International Development (DFID) to assess the current tax administration and develop a modernization plan to reform KBIR and tax generation in the state. As the KBIR director argues, this report confirms the lack of political leadership from state Governors and the lack of autonomy and resources in Kano's tax administration:

“[The KBIR needs] considerable autonomy in control and decision making in the areas of fiscal as well as human and physical resource management...As regards physical infrastructure, the Kano State BIR offices are housed in rented premises (with the exception of one) making it very difficult for long term planning. The buildings, furniture and general office equipment are largely in a dilapidated state and are unsuitable for modern ways of working, service delivery, and the installation of modern computer systems” (KBIR Modernization Plan, 2009).

Both the KBIR director and the Modernization Plan explain the tax administration's relationship with citizens in the same adversarial fashion:

“Citizens have no desire to pay [taxes]. This is probably because of the years of no tax payment during the military regime. People are now skeptical. They won't pay tax unless they understand why” (Director, Kano Board of Internal Revenue, Personal Communication, July 5, 2011).

The Modernization Plan corroborates this characterization, emphasizing:

“Above all, a fight against public ignorance of the taxation laws and their obligations as taxpayers is a central pillar in increasing effectiveness in revenue generation as well as propelling a positive corporate image of the BIR” (KBIR, 2009).

In line with the Modernization Plan, the KBIR director argues Kano residents must be educated about taxation as a civic duty with benefits for society as a whole:

“The old method of forced compulsion no longer applies. No one pays taxes with a smile, but we must educate people to voluntarily pay. This civic tax education can enlighten taxpayers to make them aware of how to make payments and what they gain from it. If you want to reform and boost taxes, taxpayers' education through advertising and public hearings is necessary” (Director, Kano Board of Internal Revenue, Personal Communication, July 5, 2011).

Like administrators in Lagos, KBIR officials recognize that before citizens will pay taxes, government must make the first move, demonstrating how regular tax income allows government to engage in public development:

“Taxpayers doubt the government. They do not believe the money they will pay will be used judiciously. Government must first show what they have done, improving electricity, water supply, roads, and security. Government must create an enabling environment where people can carry out their business. It is a give and take. If people believe when they pay tax, they will get these things in return, citizens willingly pay.”

To address the limited political resources available to KBIR, the board received assistance from the World Bank/DFID tax team to draft the Kano State Board of Internal Revenue Autonomy Act. This legislation was submitted to the Kano State House of Assembly and passed on February 1, 2012. As the title suggests, this act would afford the KBIR political and fiscal autonomy to act as independent revenue board:

“[With] freedom from the traditional Civil Service institutional arrangements, [KBIR can] adopt new ways of working and funding so as to embrace better and modern techniques of tax administration. Foremost, management plans will reorganize the BIR governance structure so as to become more productive, efficient and taxpayer focused” (KBIR, 2009).

With this autonomy, the KBIR would be able improve its office infrastructure and computerize and automate the tax collection process. Administrators believe “[reducing] human interventions in tax transactions,” will curtail corrupt practices. In this scenario (similar to that in Lagos), tax officials can focus on civic education and improving interactions with taxpayers (KBIR, 2009).

Thus, the bulk of KBIR’s plan is aimed directly at citizens, with the goal of improving voluntary taxpayer compliance, primarily thorough public awareness campaigns. A Public Relations & Protocol Unit will be charged with developing reference materials for citizens and organizing taxpayer education, which includes the following methods: conferences, consultative meetings, trade show stands, print media, advertisements, bill boards, radio jingles, drama

productions, leaflets, seminars, workshops, clinics, and talk show appearances (KBIR, 2009).

KBIR would further public promotions by introducing an annual Revenue Week and a taxpayer appreciation event. A new Public Affairs and Taxpayer Services Department (PATs) will conduct an annual taxpayer perceptions surveys. In addition, this department will allow KBIR to:

“Capture data and provide feedback on taxpayer inquiries and complaints; Engage with taxpayers and the general public in order to secure their recommendations and feedback on service delivery in the BIR operations; Conduct regular surveys to determine level of satisfaction and public confidence in the service delivery by the BIR; Sensitize the BIR Staff on the new procedures for handling taxpayer inquiries and complaints while executing their work; Institute a customer care monitoring and evaluation system” (KBIR, 2009).

Kano State Board of Internal Revenue’s tax generation capacity has been hindered through the deficient political support and public awareness and compliance with the tax payment process. However, as in Lagos, the KBIR identifies legislation (granting the board political and fiscal leadership) and public engagement as prescriptions. Through instilling public confidence in KBIR and the tax system, the tax administration aims to shift Kano’s tax culture from indifferent and adversarial to compliant.

A Tale of Two Tax Cultures: Elite and Citizen Perceptions in Lagos and Kano

The previous analysis of civil servant interviews and reports compares Lagos and Kano’s tax administration from the perspective of those actively engaged in the two revenue boards. In light of these characterizations, I consider elite and citizen perceptions of taxation in these two states. Using original legislative interviews, I compare legislators in Lagos and Kano: how do they perceive state (and Nigeria’s) reliance on oil revenue? Do legislators believe the tax department has the right to compel tax payment? Which level of government should engage in

income tax collection? Based on the analysis in the previous section, I hypothesize legislators in Lagos will be more likely than their counterparts in Kano to identify tax revenue as superior to oil income (1). Legislators in Lagos will be more likely to indicate the state government has the primary responsibility for collecting income taxes (2). Last, legislators in Lagos will be more likely to agree that the tax department has the right to compel tax payment (3). I expect these relationships as a result of LIRS officials' characterization of politicians as cooperative. LIRS administrators identify political elites as supportive, placing tax policy on the public agenda and collaborating with the tax administration tax generation. On the other hand, KBIR officials (for now) describe politicians as indifferent and unsupportive of the tax administration.

Similarly, I expect citizens in Lagos State to be more willing to pay taxes when compared to those in Kano State (4). I also expect that Lagosians will be more likely to report tax payment. Since Governor Fashola has led the effort to empower LIRS, the state tax administration has successfully engaged in public awareness campaigns, educating citizens about the benefits of tax-based development and the process of tax payment. LIRS has also worked to bring the informal sector under the tax net. On the other hand, in Kano, Governor Kwankwaso has focused state efforts on augmenting oil income dependence, rather than generating tax income. As a result, KBIR have yet to launch such a campaign, instead describing citizens as unaware and unknowledgeable about the tax contract. I hypothesize that Lagosians, having a firmer understanding of the tax contract, will be more compliant with tax payment.

Comparing Legislative Perspectives of Tax Dependence and Payment

Relying on the data collected in interviews with members of the Lagos and Kano Houses of Assembly, evidence corroborates civil servants' characterizations of their respective state political elites. We observe that, generally, legislators in both states prioritize tax dependence over reliance on federal petroleum income transfers. However, in Kano, this belief does not transfer into support of the state tax administration's right to compel and collect taxes.

All 20 of the legislators interviewed at the Lagos House of Assembly indicate that Nigeria is too reliant on oil revenue and that diversifying via tax revenue would be a more optimal path.

According to one Lagos State legislator: "for now, Nigeria has a monotonous economy. Taxes and a strong tax regime are necessary" (Lagos State Honourable #2, Lagos State House of Assembly, Personal Communication, May 10, 2011). Another official agrees, arguing: "Nigeria is stupidly reliant on oil, thinking it's something in perpetuity. Petrol decreases as it's utilized, until its dried up. It's myopic. Nigeria must exploit other areas that allow us to build the tax base" (Lagos State Honourable #3, Lagos State House of Assembly, Personal Communication, May 10, 2011). In an interview, one legislator separates Lagos from the remainder of the federation, reporting: "Yes, Nigeria is too reliant on oil, but not in Lagos. There is too much laziness in other states. People must learn that it's best for them to contribute to their government and pay taxes" (Lagos State Honourable #6, Lagos State House of Assembly, Personal Communication, May 11, 2011). Finally, another legislator from the Lagos House of Assembly laments Nigeria's prospects for development: "It is only through taxation that we can have the resources to govern. If we are unable to raise internally generated revenue with tax,

Nigerian cannot stay above water. It is sad for development” (Lagos State Honourable #7, Lagos State House of Assembly, Personal Communication, May 12, 2011).

Likewise, 18 out of 20 legislators from Kano assert Nigeria is over-reliant on oil income to the country’s detriment.¹⁰² As one legislator states: “If oil goes, there will be no money to sustain the country. In fact, it is the military government that bred this culture. People must contribute to government in order for government to perform its functions (Kano State Honourable #1, Kano State House of Assembly, Personal Communication, March 9, 2011). Another member of the Kano State Assembly agrees saying: “States need to tax so government can provide infrastructure and maintain it. But internally generated revenue is meager. Without federal accounts, states would collapse” (Kano State Honourable #13, Kano State House of Assembly, Personal Communication, July 6, 2011). In another interview, a Kano legislator remarks: “Truly, there are no earnings from taxes. Taxes are the backbone of the country, but no one wants to pay. We have forgotten other means of revenue besides oil” (Kano State Honourable #4, Kano State House of Assembly, Personal Communication, March 9, 2011). Last, an official specifies that Northern Nigeria is particularly worse off as a result of dependence on oil income: “There is too much dependence on oil, especially in Northern Nigeria. In the North, we are behind other states in taxation. I don’t even think internally generated revenue is a priority. This has made Nigerians lazy and to abandon innovation. Without federal allocation, most states and local governments would fail (Kano State Honourable #6, Kano State House of Assembly, Personal Communication, March 8, 2011).

¹⁰² Two legislators from the Kano State House of Assembly indicate that they “do not know.”

Thus, contrary to Hypothesis 1, evidence from legislative interviews suggest that officials from both Lagos and Kano *say* that they prioritize tax-based development as a superior option. The majority of legislators from the two states agree that generating income from taxes should be a priority.

With that said, turning to Hypothesis 2, we find a divergence in legislators' beliefs about which level of government should collect (income) taxes. In Lagos, officials' opinions about tax generation being a priority also align with their belief in the state's primacy as collectors of income taxes from citizens. In fact, this responsibility constitutionally belongs to states (as opposed to the federal government, local government, traditional leaders, or members of the community).¹⁰³ Evidence suggests this is not the case in Kano (Figure 6.1).

For example, in Lagos 13 out of the 20 legislators (65%) believe the state government has the primary responsibility for collecting income taxes. This is in line with Nigeria's Federal Constitution and the 1993/2007 Personal Income Tax Act, in which collection of income taxes is under the jurisdiction of state governments. There are exceptions for federal employees, members of the military, and residents of the Federal Capital Territory (Abuja), who pay income taxes to the federal government. On the other hand, six out of 20 legislators (30%) in the Lagos State Legislature believe the federal government should collect income taxes, while the remaining member (5%) believes local governments should be the primary collector.

Conversely, in Kano, state legislators are more likely to place the federal government in the role of primary collector of income taxes. 16 out of 20 Kano legislators (80%) indicate that the federal government should have the primary responsibility of collecting income taxes. Two

¹⁰³ Chapter Two, *Legislatures and Government Revenue in Nigeria: Resurgence of Political and Fiscal Federalism*, *Nigeria's Tax System: Mobilizing Revenue At Three Levels of Government* for a longer discussion of federal, state, and local tax jurisdictions.

legislators (10%) believe the state government should have this task, while the remaining two members (10%) place this responsibility at the local level.

A Pearson's correlation ($r = 0.57$) indicates a strong, positive association: legislators from Lagos are more like than those from Kano to believe state government has the primary responsibility for collecting income taxes (Table 6.4).¹⁰⁴ The observation that legislators from Kano believe the federal government should collect income taxes corresponds with Suberu's (2001, 2004) argument: Northern governments prefer a centralized distributive system. According to Suberu (2004: 341), Northern political leaders support the collection of taxes and revenue at the federal level, with transfers to subnational authorities. In fact, one legislator from Kano comments: "By definition, tax revenue is any money derived from the execution of the law. The federal government should collect everything, then states can collect from the Federation Account." (Kano State Honourable #15, Kano State House of Assembly, Personal Communication, July 6, 2011).

Thus, we find support for Hypothesis 2: Lagosian legislators report being more supportive of the state's power to collect income taxes.

When testing Hypothesis 3, we observe a similar relationship when considering elite perceptions of the tax department's authority to compel tax payment (Figure 6.2). 20 out of 20 (100%) legislators from Lagos agree or strongly agree that "the tax department always has the right to make people pay taxes." On the other hand, in Kano, there's less support for the tax department's right to compel tax payment. 12 out of 20 members (60%) of legislators from Kano indicate they disagree or strongly disagree that "the tax department always has the right to

¹⁰⁴ STATE is a dummy variable where Kano = 0 and Lagos = 1. Similarly, PRIMARY RESPONSIBILITY FOR COLLECTING INCOME TAXES is a dummy variable where Federal Government, Local Government = 0 and State Government = 1.

make people pay taxes.” The remaining eight members (40%) agree or strongly agree with this statement. But even then, only three out of 20 (15%) legislators interviewed strongly agree with the tax department’s authority to compel citizens to pay. Another analysis of correlation (Table 6.5) confirms legislators from Lagos are more likely than their counterparts in Kano to agree (or strongly agree) that the tax department has the authority to compel citizens to pay taxes.¹⁰⁵ With a Pearson’s r of 0.69, this is a strong, positive association.

Empirical analysis confirms the assertions made by tax administrations in Lagos and Kano States. Contrary to Hypothesis 1, elites from both Houses of Assembly express the belief that tax-led development is superior to dependence on petroleum income. However, supporting Hypothesis 2, I find that in Lagos, legislators also support the state government’s authority to collect income taxes and the tax department’s right to compel tax payment. This is not the case in Kano, where elites are more likely to indicate the federal government has the responsibility for collective income taxes. Likewise, legislators in Kano are less likely to support the tax department’s authority to make citizens pay taxes (Hypothesis 3). This political support (or lack thereof, as in the case of Kano) has real consequences for the tax administration’s ability to educate citizens about taxation and execute tax policy. In Lagos, as a result of political leadership and initiative, taxation and reform has been placed on the public agenda, providing legal and financial resources to LIRS. This has not yet occurred in Kano, where KBIR officials describe politicians as indifferent and at times adversarial toward the state tax administration.

¹⁰⁵ STATE is a dummy variable where Kano = 0 and Lagos = 1. TAX DEPARTMENT CAN COMPEL TAX PAYMENT is an interval variable where, Strongly Disagree = 1, Disagree = 2, Neither Agree, Nor Disagree = 3, Agree = 4, Strongly Agree = 5.

Comparing Nigerians' Willingness to Pay Taxes and Actual Tax Payment

Returning to the two hypotheses regarding citizens' attitudes and behaviors toward taxation, I hypothesize citizens in Lagos State to be more willing to pay taxes than citizens in Kano State (4). I form these expectations following the interviews with members of the Lagos and Kano state tax administrations. While LIRS has been able to engage in public awareness campaigns with citizens, KBIR has not yet done so. In fact, according to KBIR officials, citizens in Kano remain generally unknowledgeable about the tax contract. As in Chapter Five, I rely on Nigerian public opinion data from Afrobarometer Round 4 (2008) and Project Oxford/DFID (2011) survey to test these hypotheses.

Results from the Afrobarometer (2008) provide evidence that citizens of Lagos are more willing to pay taxes. Lagosians also report actual tax payment at a higher rate. Looking at Figure 6.3, 59% of respondents from Lagos agree or strongly agree that the tax department has the right to make people pay taxes. On the other hand, 36% of respondents from Kano report this opinion. Rather, 45% of people from Kano disagree or strongly disagree with the tax department's authority to compel tax payment (compared with of respondents from 36% in Lagos).

Comparing respondents' reported tax payment (Figure 6.4), we see Lagosians are more likely to report actual tax payment in all three types of levies. 44% of respondents from Lagos say that they have paid income taxes in the last year, compared to 18% of respondents from Kano. 45% of Lagosians indicate paying property taxes in the last year, while only 5% of respondents from Kano say they made property tax payments. Last, 42% of respondents from Lagos report paying local government taxes, whereas 24% from Kano also paid local levies. Considering Nigeria as a whole, Lagos rates of tax payment exceed those across the federation.

On the other hand, reports of actual tax payment in Kano are below the national average.

Robustness Check with Alternative Data: Willingness to Pay Taxes in Urban Lagos and Kano

I also explore the influence of a resident's state on her willingness to pay taxes using results of the Oxford/DFID survey in urban Nigeria. Once again, comparing Lagos and Kano, I expect Lagosians to be more willing to pay taxes.

“Willingness to pay taxes” remains the key dependent variable (Figure 6.5).¹⁰⁶ This is measured with the following question: (in regard to their State government) “Given the current government's performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration...or would you say your attitude toward taxes is about the same?”¹⁰⁷ In Lagos, 44% of respondents report being more willing to pay taxes, while 36% say they feel about the same now as under the last administration. On the other hand, only 9% of respondents from Kano are more willing to pay taxes now, while 52% feel about the same.

The main independent variable is a dummy variable that captures a respondent's state, either Lagos or Kano.¹⁰⁸ I hypothesize there will be a positive relationship, whereby

¹⁰⁶ The Oxford/DFID survey does not include questions asking the respondents about specific payment of taxes.

¹⁰⁷ Given the current government's performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration in _____ State? Or would you say your attitude toward taxes is about the same?” 1=Less Willing, 2=About the Same, 3=More Willing

¹⁰⁸ In this variable, Kano = 0 and Lagos = 1.

respondents from Lagos will be more willing to pay taxes than citizens of Kano. I make this expectation again, based on interviews with civil servants in the Lagos and Kano State tax administrations. Since LIRS officials have been more successful with educating citizens about the process of taxation, this will translate into a greater willingness to comply with payment at the individual level.

Since results of Chapter Five confirm that satisfaction with government performance influences Nigerians' willingness to pay taxes, I include this set of variables as controls. In this case, satisfaction with government performance is operationalized using five individual indicators: an indicator asking respondents how well (or badly) they think the current state administration is spending tax revenue;¹⁰⁹ an indicator asking respondents to assess the current conditions of the roads, public schools, government hospitals and clinics, and the water supply.¹¹⁰ I expect when a Nigerian has more favorable evaluations of how the state government manages these areas, she will also be more willing to pay taxes.

I also include several control variables: I expect urban Nigerians with higher household incomes will have a greater ability to pay taxes and will be more willing to pay taxes.¹¹¹ I also

¹⁰⁹ "Here in _____ State, how satisfied are you with the way that the current administration has spent tax revenue?" 1=Not at all satisfied, 2=Not very satisfied, 3=Somewhat satisfied, 4=Very satisfied

¹¹⁰ "Compared with the past administration in _____ State, have the following things in this area gotten better, worse, or have they stayed about the same? Condition of roads? Condition of public schools? Condition of government hospitals and clinics? Condition of water supply?" 1=Worse, 2=About the same, 3=Better

¹¹¹ "Please, can you estimate the monthly income for your whole household?" 1=I don't earn an income myself—other people support me, 2=Less than N5,000, 3=N5,000-N10,000, 4=N11,000-

hypothesize older urban Nigerians will be more willing to pay taxes. Finally, I control for corruption: a respondent who reports experiences with government corruptions will be less willing to pay taxes. Table 6.6 presents this model's summary statistics.

I utilize ordered logistic regression with robust standard errors to perform analysis, and results are reported in Table 6.7 (proportional odds ratios). As hypothesized, respondents from urban Lagos are more willing than those in urban Kano to pay taxes (POR = 3.157). In fact, a respondent's home state is the most powerful predictor in her willingness to pay taxes. Holding all other variables constant, the likelihood a respondent will report being more willing to pay taxes is 3.157 times greater if she respondent is from Lagos (as opposed to Kano). This finding corroborates accounts from LIRS and KBIR administrators: as a result of LIRS efforts, citizens in Lagos are more engaged in discourse about taxation. Understanding the role taxes play in development and procedures for payment, respondents from Lagos are more willing to comply with payment. On the other hand, in Kano, tax administrators have been unable to educate residents about the tax contract. As a result, citizens in Kano are less willing to pay taxes. This analysis confirms that these relationships still exist when we consider urban settings. Taking satisfaction with government performance, income, age, and corruption into account does not diminish the positive and significant relationship between respondents' state and their willingness to yield to the tax authority. Analysis of Nigerian public opinion data affirms the perceptions expressed by members of Lagos' and Kano's State tax administrations.

N15,000, 5=N16,000-N25,000, 6=N26,000-N35,000, 7=N36,000-N45,000, 8=N46,000-N55,000, 9=N56,000-N75,000, 10=N75,000-N95,000, 11=N96,000-N120,000, 12=More than N120,000.

Conclusion

This chapter suggests that differences in political leadership can help explain why Lagos and Kano have two different tax cultures, which ultimately results in two different rates of tax generation. Evidence from interviews with tax administrators suggests that in Lagos, Governor Fashola has lead efforts of create a relationship of cooperation and compliance between political elites, tax administrators, and citizens in Lagos. On the other hand, Governor Kwankwasu in Kano has prioritized increasing the state's access to natural resource income. As a result, relationships between legislators, tax officials, and citizens in Kano are based on indifference and a lack of engagement. The nature of these relationships has real consequences for tax generation in Lagos and Kano: in comparison to citizens of Kano, Lagosians are more willing to pay taxes and report making payments at higher rates. For example, by opening up dialogue between political elites, tax administrators, and citizens, Governor Fashola has placed the taxation and notions of the fiscal contract on the public agenda. Through this engagement, LIRS officials have bargained with citizens, publicizing the individual and societal benefits of tax payment. Analysis of public opinion data provides evidence that citizens of Lagos have responded to this campaign with increased tax compliance. This suggests that political initiative, particularly from governors, can give momentum to developing state tax capacity.

Chapter Six Tables and Figures

Table 6.1: STATE DEMOGRAPHICS (2005 – 2006)			
STATE	POPULATION (2006)	POPULATION AS % OF TOTAL NIGERIA	AREA (SQUARE MILES)
LAGOS	9, 013, 534	6.44	1,341.70
KANO	9, 383, 682	6.70	7,772.60

Table 6.1 (cont'd): STATE DEMOGRAPHICS (2005 – 2006)				
STATE	% POPULATION ENROLLED IN PUBLIC PRIMARY SCHOOL	% POPULATION ENROLLED IN PUBLIC SECONDARY SCHOOL	POPULATION PER PRIMARY HEALTH CARE FACILITY	% POPULATION EMPLOYED
LAGOS	13.95	15.98	8,160	37.19
KANO	13.76	12.40	10,070	36.82

Table: 6.2 DISTRIBUTION OF WORKING POPULATION BY ACTIVITY (%)	LAGOS	KANO
AGRICULTURE	2	25
FISHING	1	1
MANUFACTURING	8	12
CONSTRUCTION	5	2
TRADE	40	33
TRANSPORT	7	2
PUBLIC ADMINISTRATION	7	2
EDUCATION	5	3
HEALTH/SOCIAL WORK	3	1
SERVICES	20	14
OTHER	3	2

Table 6.3: TAX GENERATION IN LAGOS AND KANO (Tax Revenue As A Percentage of Total Revenue, %)					
STATE	2005	2007	2008	2009	MEAN (1999 – 2009)
LAGOS	51.2	62.2	63.5	64.3	53.4
KANO	11.2	14.7	17.2	21.6	13.2

Table 6.4¹¹²: CORRELATION BETWEEN LEGISLATOR'S HOME STATE AND BELIEF STATES SHOULD COLLECT INCOME TAXES (%, n = 40)			
		WHICH LEVEL OF GOVERNMENT SHOULD COLLECT INCOME TAXES	
STATE	FEDERAL	LOCAL	STATE
KANO	80	10	10
LAGOS	30	5	65

¹¹² Pearson $\chi^2(2) = 13.5884$, Pr = 0.001; Pearson's r = 0.568.

Table 6.5: CORRELATION BETWEEN LEGISLATOR'S HOME STATE AND BELIEF TAX DEPARMENT CAN COMPEL PAYMENT (%, n = 40)¹¹³					
			TAX DEPARMENT CAN MAKE PEOPLE PAY TAXES		
STATE	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE NOR DISAGREE	AGREE	STRONGLY AGREE
KANO	30	30	0	25	15
LAGOS	0	0	0	25	75

¹¹³ Pearson $\chi^2(3) = 20.0000$, Pr = 0.000; Pearson's r = 0.685.

Table 6.6: URBAN NIGERIA, SUMMARY STATISTICS-- WILLINGNESS TO PAY TAXES IN LAGOS AND KANO					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
WILLINGNESS TO PAY TAXES	364	2.017	0.747	1	3
STATE	364	0.548	0.498	0	1
SATISFACTION WITH GOVT. TAX SPENDING	364	2.696	0.980	1	4
SATISFACTION WITH ROAD MAINTENANCE	364	2.179	0.819	1	3
SATISFACTION WITH PUBLIC SCHOOL MAINTENANCE	364	2.223	0.723	1	3
SATISFACTION WITH HOSPITAL MAINTENANCE	364	2.267	0.719	1	3

Table 6.6 (cont'd): URBAN NIGERIA, SUMMARY STATISTICS-- WILLINGNESS TO PAY TAXES IN LAGOS AND KANO					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
SATISFACTION WITH WATER SUPPLY	364	1.960	0.757	1	3
HOUSEHOLD INCOME	364	6.697	2.336	1	12
AGE	364	3.194	1.172	1	7
EXPERIENCE WITH GOVERNMENT CORRUPTION	364	1.233	0.423	1	2

Table 6.7: URBAN NIGERIA, WILLINGNESS TO PAY TAXES IN LAGOS AND KANO	WILLINGNESS TO PAY TAXES
STATE	3.157* (0.717)
SATISFACTION WITH GOVT. TAX SPENDING	2.309* (0.281)
SATISFACTION WITH ROAD MAINTENANCE	1.338* (0.143)
SATISFACTION WITH PUBLIC SCHOOL MAINTENANCE	0.940* (0.172)
SATISFACTION WITH HOSPITAL MAINTENANCE	1.247* (0.236)
SATISFACTION WITH WATER SUPPLY	1.075* (0.169)
HOUSEHOLD INCOME	0.974* (0.145)
AGE	1.125* (0.099)
EXPERIENCE WITH GOVERNMENT CORRUPTION	(-)0.945 (0.392)
LOG LIKELIHOOD	-336.113
N	364

Notes: Values are proportional odds ratios, robust standard errors in parentheses.

*p < 0.05, two-tailed test.

Figure 6.1: “Who do you think actually has *primary* responsibility for collecting income taxes?”

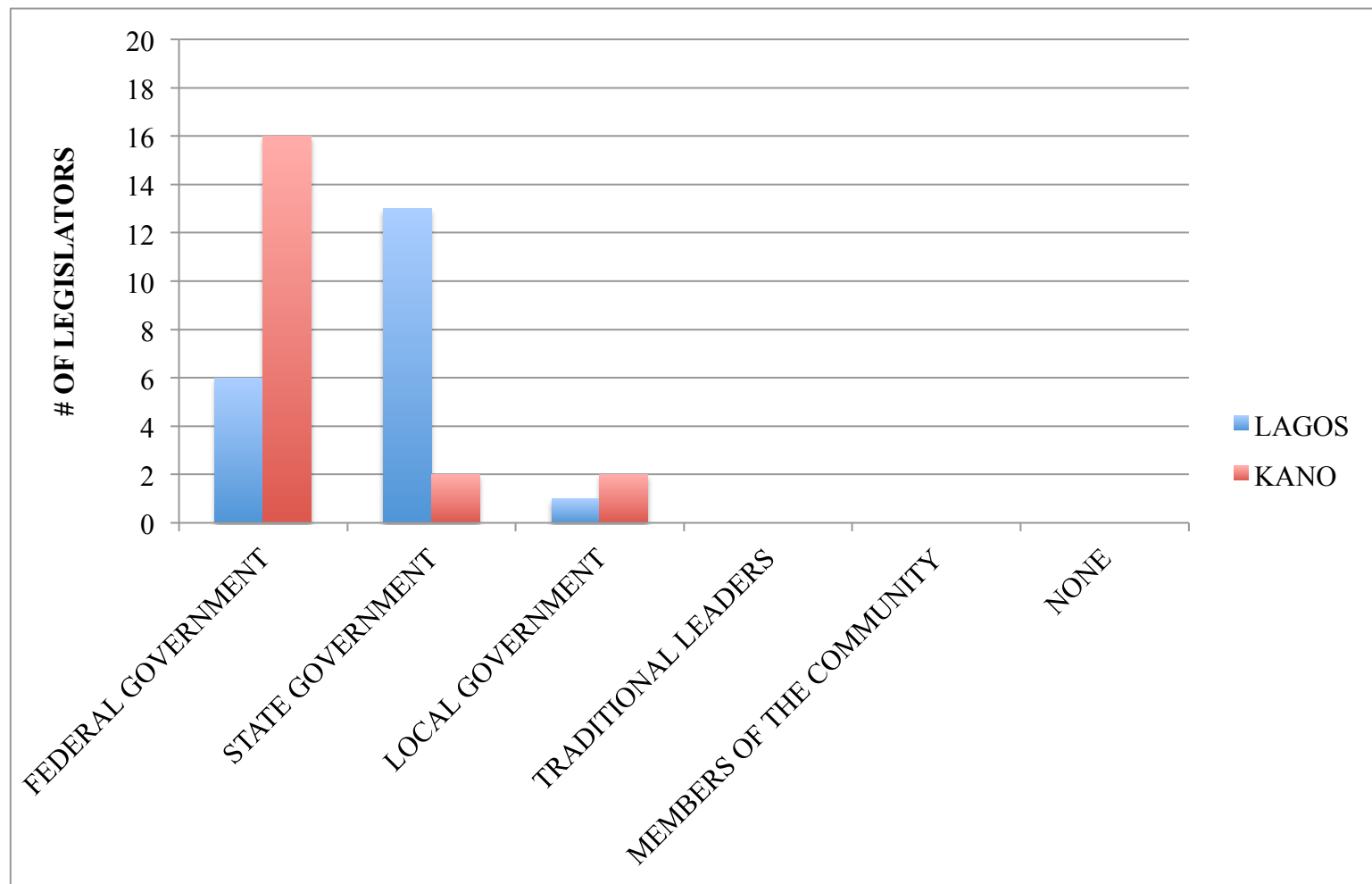


Figure 6.2: ELITES “The tax department always has the right to make people pay taxes.”

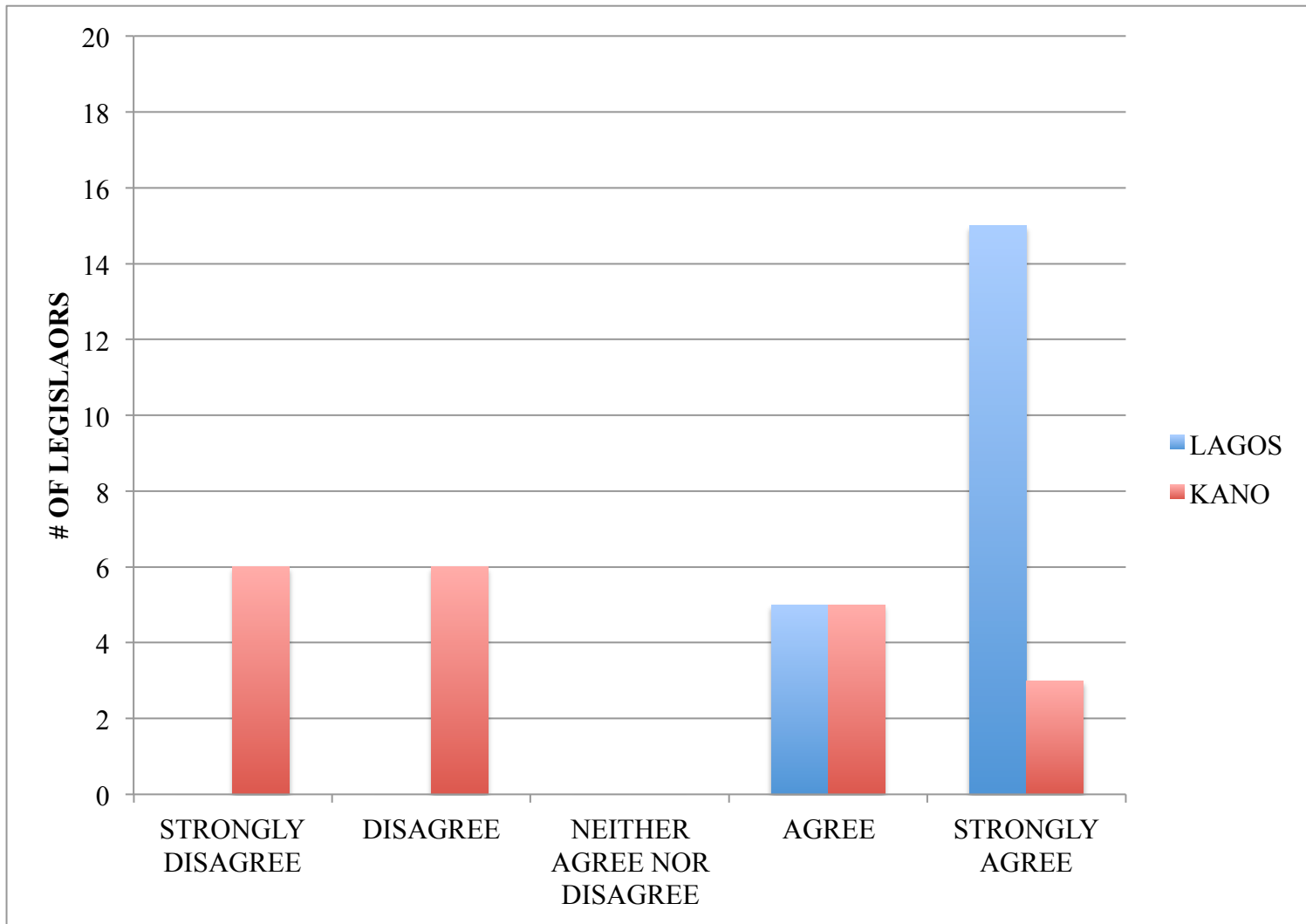
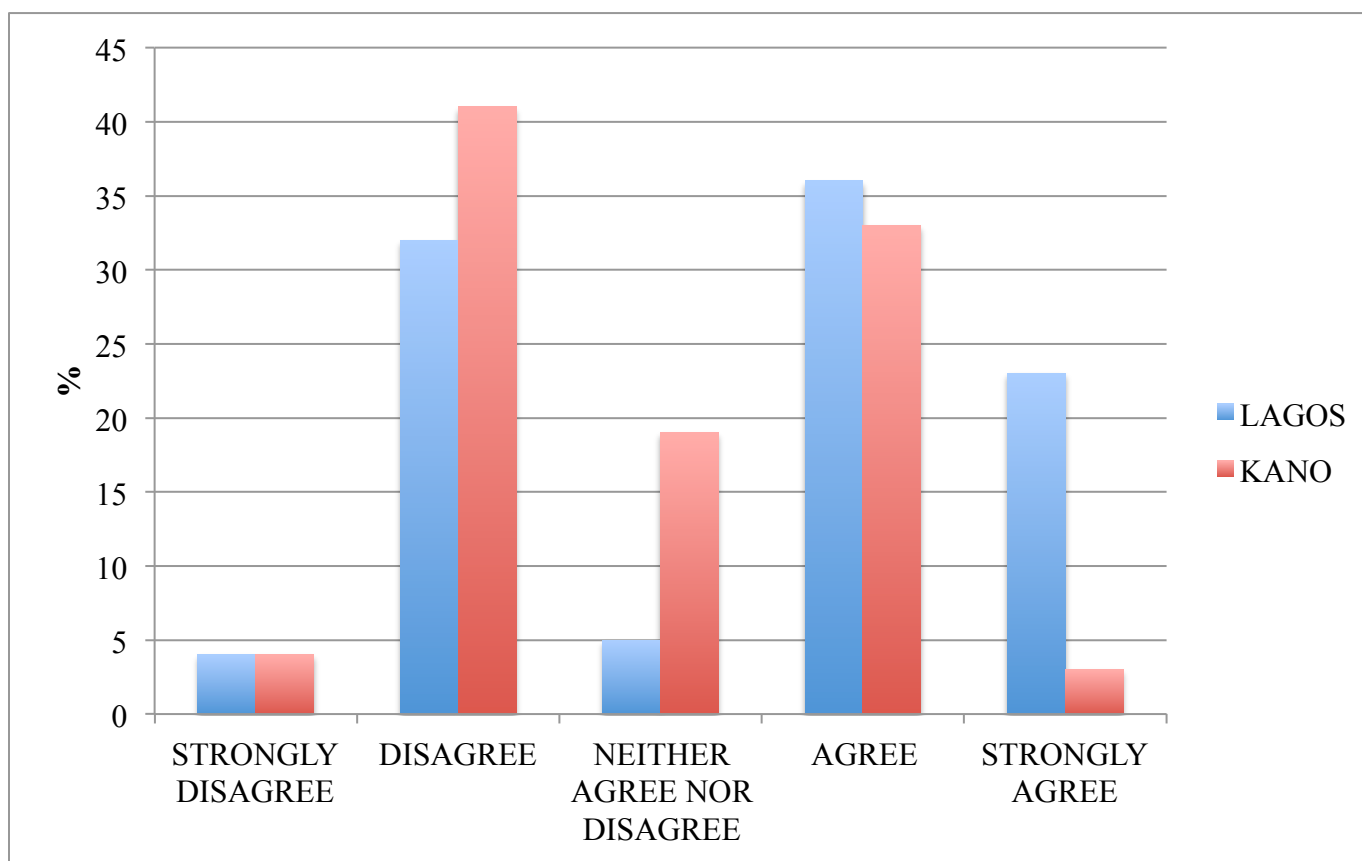
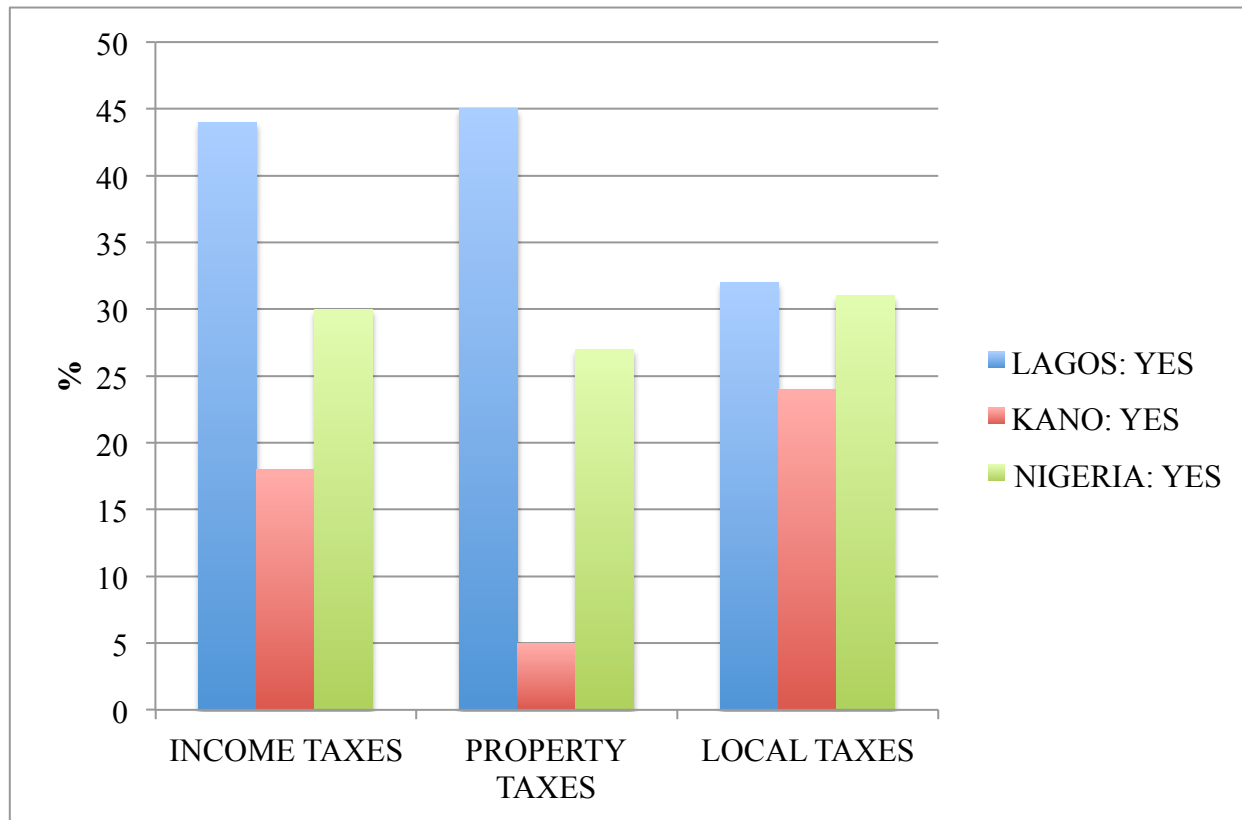


Figure 6.3: CITIZENS “The tax department always has the right to make people pay taxes.”¹¹⁴



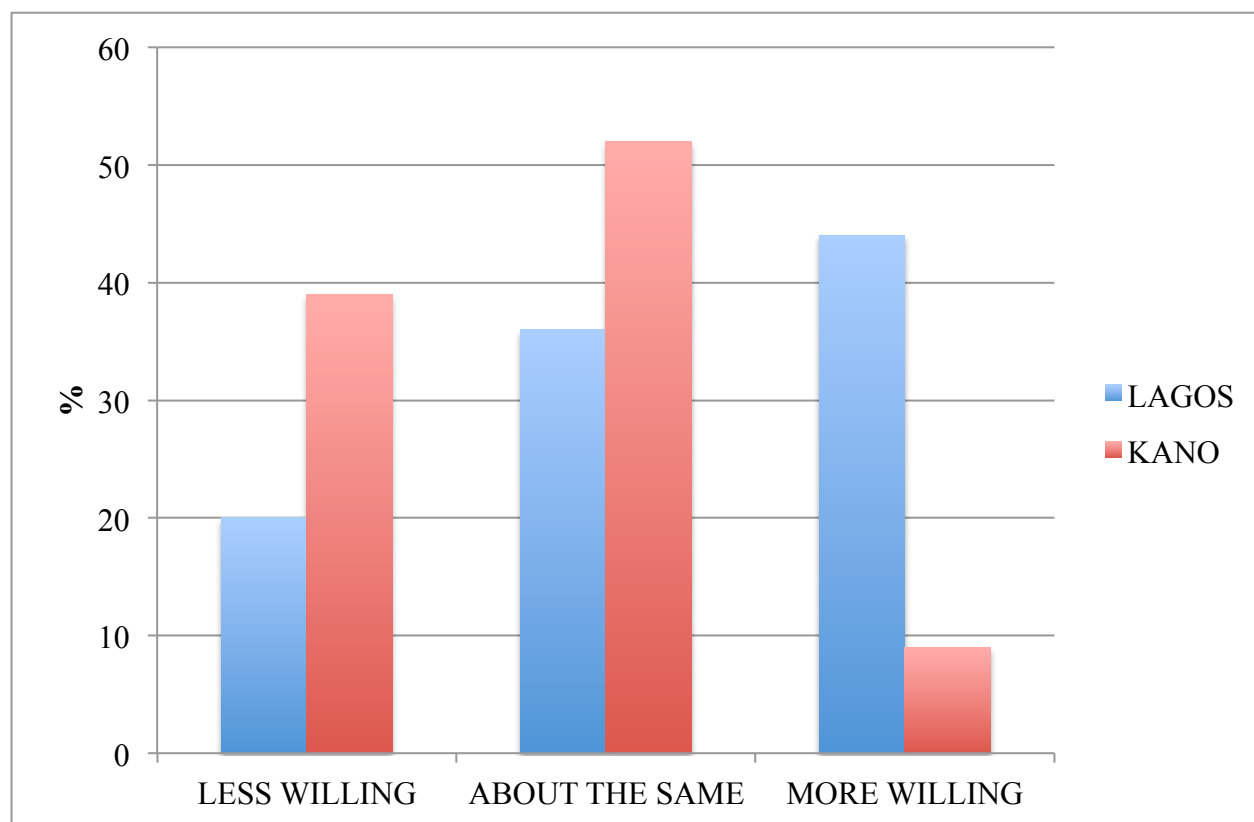
¹¹⁴ Pearson $\chi^2(4) = 39.8884$, Pr = 0.000.

Figure 6.4: “Have you had to make any of the following payments during the past year...”¹¹⁵



¹¹⁵ INCOME TAXES: Pearson $\chi^2(1) = 24.1717$, $Pr = 0.000$; PROPERTY TAXES: Pearson $\chi^2(1) = 62.2832$, $Pr = 0.000$; LOCAL TAXES: Pearson $\chi^2(1) = 20.4561$, $Pr = 0.000$.

Figure 6.5: “Given the current government’s performance that you have seen, do you find yourself more willing or less willing to pay taxes than you were during the last civilian administration in ____ State? Or would you say your attitude toward taxes is about the same?”



CONCLUSION

Beyond Nigeria: Explaining Africans' Attitudes and Behavior Toward Taxation

Background

In the previous chapters, analyses of government budgeting priorities, elite and popular attitudes, and interviews with civil servants demonstrate that standard theory of revenue and representation is applicable in the African context. Bargaining between government and citizens seems to occur and an implicit fiscal constant apparently results. First, governments in Nigeria with a greater capacity to generate income from non-oil taxes tend to be more representative of their constituents. In this instance, elites shift public policy and expenditures to meet the interests of their citizens. Elected leaders do so in order to maintain the source of tax income. Second, Levi's (1988) theory of quasi-voluntary compliance can also explain popular attitudes toward taxation in Nigeria. Ordinary Nigerians are more willing to pay taxes (and follow through with actual payment) when satisfied with the level of representation received from government. Moreover, when a Nigerian trusts that fellow citizens are complying with tax payment, she is more likely to yield to the tax department's authority and report making tax payments in the last year. Finally, I have defined the quality of representation to include evaluations of government performance. Nigerians who are more satisfied with government provision of public services are also more compliant with tax payment. But do results based on the experience of Nigeria travel elsewhere?

Moving beyond Nigeria, Afrobarometer Public Opinion data allows us to perform an exploratory investigation about citizen perceptions of the tax contract in other countries across

the continent.¹¹⁶ Across Africa, under what conditions are ordinary people willing to pay taxes and make actual tax payments? I hypothesize that the findings from Nigeria also apply to other African countries. Generally, Africans will be more willing to pay taxes when: (1) they are satisfied that government is fulfilling its end of the bargain, providing representation; (2) they trust that other countrymen are complying with tax payment; (3) they are satisfied with government provision of public services. I also expect positive relationships between perceptions of representation, trust, satisfaction with service provision and the likelihood Africans will follow through with tax payments. I form these hypotheses based on Levi's (1988) theory of citizen quasi-voluntary.

In order to test these hypotheses, I rely on public opinion results from Round Four of the Afrobarometer (2008). In addition to Nigeria, the Afrobarometer conducted surveys in 19 other African countries in 2008 – 2009.¹¹⁷ Because the Afrobarometer asks respondents across all these countries about perceptions of taxation, representation, and government performance, I am able to investigate these hypotheses cross-nationally.

I replicate the analysis I conducted in Chapter Five, whereby Africans' theoretical willingness to pay taxes and their reported payment of local, property, and income taxes are the dependent variables. Once again, the explanatory variables I include capture various facets of Africans' (1) perceptions of representation, (2) trust, and (3) government performance. I expect a positive relationship between Africans' perceptions of the quality of representation from local

¹¹⁶ The analysis in this chapter is an expansion of **Chapter Five: *Nigerian Perceptions of Taxation and Representation: Attitudes and Behaviors To Tax Payment***.

¹¹⁷ Countries included in Afrobarometer Round Four: Benin, Botswana, Burkina Faso, Cape Verde, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, Zimbabwe (20).

and national officials and their willingness to pay taxes. I hypothesize these indicators will also yield a positive relationship with Africans' actual payment of taxes. I expect that when Africans express trust of others, they will also be more willing to pay taxes. I also expect a positive relationship between respondents' trust of others and actual payment of taxes. Last, I hypothesize that Africans who have more positive evaluations of how their government is managing the provision of services will be more likely to believe government is fulfilling its end of the bargain. As a result, they will be more willing to pay taxes and report making such payments.

As in Chapter Five, I include the control variables for employment status (positive influence on willingness to pay taxes and actual tax payment); age (positive relationship between age and willingness to pay taxes); and perceptions of corruption within the local government, National Assembly, and among tax officials (negative relationship between Nigerians' perceptions of corruption and willingness to pay taxes and actual tax payment). In order to control for cross-national differences, I include dummy variables for each country. For example, in the Benin dummy variable, all respondents from Benin receive a value of "1", and all other respondents are given "0."¹¹⁸

¹¹⁸ Originally, Round Four of the Afrobarometer includes 27,713 respondents. However, after excluding respondents who answer "don't know" or refused to answer any of the questions utilized for dependent, independent, or control variables, the sample size drops to 15,485. After comparing demographic descriptors in both samples, I find that the new sample has 4% more urban respondents than in the old sample (Table 7.4). In addition, while the old sample is split evenly between male and female respondents, there is an 8% gap in the new sample (Table 7.5). In order to control for these two shifts, I add controls for urban vs. rural dwellers and gender to my model. Table 7.1 presents each model's summary statistics.

Analysis and Results

For analysis, I again rely on ordered logistic and logistic regressions with robust standard errors. Table 7.2 presents results.

The four analyses presented gauge the effect of Africans' perceptions of quality of representation, trust, and government performance on willingness to pay taxes and actual tax payment. As hypothesized, evidence confirms the theory of quasi-voluntary compliance explains Africans' attitudes and behaviors toward taxation across the continent. There is a strong and positive relationship whereby Africans are more willing to pay taxes when they judge elected officials to be representing their interests. Second, Africans who perceive a higher level of representation are also more likely to comply with actual tax payment. As the second tenet of quasi-voluntary compliance theorizes, in Africa, respondents with higher levels of trust are also more likely to report being more tax compliant, in theory and practice. Finally, when an African is more satisfied with government provision of services, she is also more willing to pay taxes and report making those payments in the last year. These findings directly support my hypotheses. Across multiple measures, we see Africans make decisions about taxation directly in relation how they evaluate representation, trust, and government performance.

Comparing Nigeria with the pooled analysis, we can see differences in the factors that ordinary people rely on to determine their tax compliance. For example, in Chapter Five's analysis of Nigerian attitudes toward tax payment, satisfaction with government management of roads and electricity are the most powerful predictors. In addition, when a Nigerian's perceives that she can make her local councillor and/or national representative listen to her, she is more willing to pay taxes and report doing so. These three elements are all significant, positive predictors of tax compliance in the larger African sample. However, in the pooled analysis,

contact with local representatives and members of Parliament are more salient. Holding all other variables constant, a one-unit shift in an African's reported contact with her local councillor (e.g. moving from making "only once" to "a few times") increases the likelihood that she will report paying local taxes by 1.161 times. This shift in contact with a local representative also increases the likelihood of property tax payment (1.187 times greater) and income tax payment (1.148 times greater). Contrary to Nigerian respondents, representation from national officials plays a bigger role in influencing tax payment in the pooled analysis. For example, in Nigeria, contact with a national representative is not a significant predictor of actual tax payment. However, in the cross-national sample, contact with a member of Parliament is among the most influential factors. An African who has more frequent contact with her national representative is 1.177 times more likely to report paying local taxes. She is also more likely to pay property tax (POR = 1.112) and income taxes (POR = 1.154). This difference could be a result of different governing systems. While Nigeria has a federal structure of governance, other countries in Africa are unitary states. In Nigeria, where state (and to an extent local) governments have authority to make laws, govern, and tax, citizens seem to rely more on evaluations of subnational representatives when gauging their attitudes toward taxation. On the other hand, in unitary systems, where the central government holds complete law-making authority (e.g. South Africa, Malawi, Zambia), ordinary citizens may reference their national representatives as their focal point. In this case, a citizen would use quality of representation from a member of parliament to determine tax compliance.

When we consider the variation in willingness cross-nationally, dummy variables reveal more divergence in attitudes toward tax payment. In Table 7.3, we see that the coefficients for country dummy variables representing Benin, Burkina Faso, Cape Verde, Ghana, Liberia, Mali,

Senegal, and Uganda are significant and positive. Generally, citizens in these countries seem to be more willing to pay taxes when compared to Africans from other countries. On the other hand, the coefficients for Kenya, Lesotho, Madagascar, Mozambique, South Africa, Zambia, and Zimbabwe are significant and negative. In these countries, ordinary people appear to be less willing to agree that the tax department has the right to compel payment. Why do citizens of West African countries seem to be more willing to pay taxes than their counter-parts in Southern Africa? How have political elites approached tax administration and the fiscal contract in these two regions? Is the authority to collect taxes shared between levels of government (as in Nigeria) or concentrated at the national level? How have these differences shaped representation and expectations between elected officials and citizens? Future research is needed to investigate these questions and tease out explanations for these cross-national differences.

Quasi-voluntary compliance not only explains attitudes and behaviors in Nigeria, but also provides leverage in analysis across Africa. These findings, taken together, provide evidence in support of my hypotheses. Western European theories of a tax contract also apply in Africa. In Nigeria and across Africa, citizens have expectations of their local and national governments. Evaluations of these expectations correspond with attitudes and behavior towards taxation. As with in other contexts, African taxpayers appraise their leaders' performance with both substantive representation of citizens' interests and public service delivery. Once determining that government has fulfilled it's part of the bargain, Africans across the continent are also more willing to pay taxes and actually make such payments. Moreover, analysis of public opinion data affirms that Africans who trust that others are also paying taxes will be more compliant with payment of taxes. Quasi-voluntary compliance provides analytical leverage in explaining how Africans perceive taxation and their relationship to government in light of the tax contract.

Curing the Curse?: Moving Forward in Nigeria

This research demonstrates the role revenue plays in the development of elite-citizen relationships, both historically and in contemporary Nigeria. In fact, politicians' quest to access revenue and control of the primary economic engine have motivated decisions to either concentrate power in the federal government or diffuse it through state and local levels. As Nigeria's democratic Fourth Republic emerges from military governance, balancing fiscal authority and the distribution of revenue remain key issues. Furthermore, relationships between elected leaders and citizens vary across the federation in response to government access to various income streams.

In Western Europe, representative institutions emerged as a result of bargains between rulers and citizens: tax income in exchange for a greater role in policy-making. However, in order to consider these theories in non-Western contexts, one must account for the fact that elites elsewhere also have access to income other than taxes, specifically revenue from natural resources. This is the case in Nigeria, where reliance on taxes and petroleum income creates varied subnational revenue profiles. Relying on theories of representation and using this subnational variation, I have tested how tax vs. oil dependence influences government representation in Nigeria.

In Chapter Three, using budgetary data between 1999 and 2009, evidence confirms that in Nigeria, as local and state government dependence on tax income increases, spending on government salaries and allowances decreases. Instead, these governments expend revenue on public service. On the other hand, reliance on natural resource income via federal transfers corresponds with increased recurrent expenditures on salaries and allowances.

After establishing how taxation and representation interact at a macro-level in Nigeria (tax reliance shaping budgetary priorities), Chapter Four evaluates these linkages regionally and at the micro-level. Analysis of original interviews with individual elites in six states (across two regions) demonstrates that Nigerian legislators in tax-reliant states are more likely to represent citizens. These officials spend a greater percentage of their time performing constituency services and prioritize constituents' preferences above other considerations (e.g. party position, personal views, etc).

With the understanding of how revenue shapes elite behavior, in Chapter Five I evaluate ordinary Nigerians' attitudes and behavior towards the tax contract. Relying on public opinion data from the Afrobarometer and a new survey of urban Nigerians, I investigate conditions under which citizens are the most tax compliant. Ordinary Nigerians are more willing to pay taxes when: (1) they perceive elected officials are representing public interests; (2) they trust that other Nigerians are complying with tax payment; (3) they are satisfied with government provision of services.

Chapter Six presents an inter-regional analysis of tax cultures, comparing Lagos and Kano States. Though Lagos and Kano have similar levels of socio-economic development and a comparable workforce, there is a large gap between them in their tax generation. According to interviews with members of the tax administrations in Lagos and Kano, political initiative explains these differences. In Lagos, politicians have provided the state revenue board with the resources necessary to place taxation on the public agenda. With this support, elites and LIRS officials launched a political campaign, engaging Lagosians and educating them about the benefits of tax-led development and the payment process. On the other hand, in Kano, as a result of politicians' indifferent (and at times adversarial) attitude, the state tax service has not received

the support or resources needed to engage in such a campaign. In this instance, citizens remain largely uneducated about the tax contract. Using evidence from Lagos and Kano's experience, I untangle the temporal nature of the taxation-representation linkages between elites and citizens. I argue that government makes the first move. In an attempt access to income taxes on citizens, elites shift policy and expenditures to reflect popular preferences. Citizens, viewing credible signals of government's willingness to comply with their end of the tax contract, will also fulfill their part, and make tax payments. This is also the case on Nigeria, where officials engage in explicit bargains with citizens for tax revenue. Returning to the original elite interviews, analyses of correlation confirm that elites from Lagos are more supportive of the state's tax administration when compared to their counterparts in Kano. Furthermore, across multiple measures and data from two different citizen surveys, we see Lagosians are more tax compliant than residents of Kano.

In this concluding chapter, I use Afrobarometer data to expand analysis of citizens' attitudes and behaviors toward taxation. Evidence suggests that notions of the tax contract and quasi-voluntary compliance have predictive power across Africa. Generally, Africans are more willing to pay taxes and follow through with payment when they believe elected officials are representing their interests. In a similar vein, satisfaction with government maintenance of public services also positively influences tax compliance in Africa. However, explaining cross-national differences in citizens' perceptions of the tax department's authority to tax open up other avenues for future study.

Taken together, this research provides strong evidence that revenue extraction (in all variations) influences the development of representation in Africa. A relationship between taxation and representative governance suggests that strengthening local and state governments'

tax administration and building citizen capacity to monitor government budgeting can also bolster responsive and democratic governance in Africa. As Lagos State already demonstrates, citizen civic education must continue as a tool for educating citizens about the taxation as a part of citizenship. Representation includes both citizen/civil society pressure and government responsiveness to those demands. Therefore, building capacity across these three different groups is important to sustained collaboration—especially Africans’ capacity to interact with government (including tax payment) (Wolpe and McDonald, 2006).

Conclusion Tables and Figures

Table 7.1: SUMMARY STATISTICS--EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
PEOPLE MUST PAY TAXES	15,485	3.671	1.211	1	5
PAID INCOME TAX	15,485	0.258	0.438	0	1
PAID PROPERTY TAX	15,485	0.273	0.445	0	1
PAID LOCAL TAXES	15,485	0.289	0.453	0	1
MAKE LOCAL COUNCILLOR LISTEN	15,485	1.693	1.074	0	3
MAKE MPs LISTEN	15,485	1.434	1.102	0	3
TIME LOCAL COUNCILLORS SPEND LISTENING	15,485	1.138	0.96	0	3
TIME MPs SPEND LISTENING	15,485	0.887	0.889	0	3
CONTACT LOCAL COUNCILLOR	15,485	0.589	0.959	0	3
CONTACT MP	15,485	0.271	0.694	0	3

Table 7.1 (cont'd): SUMMARY STATISTICS--EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
TRUST OTHER NIGERIANS	15,485	1.306	0.999	0	3
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	15,485	2.574	0.994	1	4
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	15,485	2.329	0.969	1	4
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	15,485	2.325	1.008	1	4

Table 7.1 (cont'd): SUMMARY STATISTICS-- EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
SATISFACTION WITH GOVERNMENT ELECTRICITY SERVICES	15,485	2.143	0.985	1	4
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL ROADS	15,485	2.114	0.975	1	4
SATISFACTION WITH LOCAL GOVERNMENT MAINTENANCE OF LOCAL MARKETS	15,485	2.222	0.943	1	4
EMPLOYMENT STATUS	15,485	1.671	1.627	0	5

Table 7.1 (cont'd): SUMMARY STATISTICS--EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT					
VARIABLE	OBSERVATIONS	MEAN	STANDARD DEVIATION	MIN	MAX
AGE	15,485	35.098	13.499	18	99
LOCAL GOVERNMENT CORRUPTION	15,485	1.322	0.828	0	3
PARLIAMENT CORRUPTION	15,485	1.308	0.814	0	3
TAX OFFICIALS CORRUPTION	15,485	1.492	0.875	0	3
URBAN/RURAL	15,485	1.588	0.492	1	2
GENDER	15,485	1.464	0.497	1	2

Table 7.2: EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
MAKE LOCAL COUNCILLOR LISTEN	1.076* (0.021)	1.025* (0.025)	1.043* (0.027)	1.059* (0.027)
MAKE MPs LISTEN	1.047* (0.020)	1.041* (0.024)	1.005* (0.024)	1.045* (0.025)
TIME LOCAL COUNCILLORS SPEND LISTENING	1.085* (0.024)	1.082* (0.027)	1.049* (0.029)	1.079* (0.029)
TIME MPs SPEND LISTENING	1.039* (0.022)	1.107* (0.036)	1.039* (0.029)	1.105* (0.031)
CONTACT LOCAL COUNCILLOR	1.025* (0.019)	1.161* (0.027)	1.187* (0.029)	1.148* (0.028)
CONTACT MP	1.001*(0.024)	1.177* (0.036)	1.112* (0.035)	1.154* (0.037)
TRUST OTHER COUNTRYMEN	1.033* (0.017)	1.088* (0.022)	1.040* (0.021)	1.019* (0.021)

Table 7.2 (cont'd): EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	1.129* (0.022)	1.030* (0.024)	0.934* (0.024)	0.959* (0.025)
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	1.062* (0.020)	1.065* (0.024)	1.089* (0.027)	1.053* (0.027)
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	1.125* (0.022)	1.036* (0.025)	1.033* (0.027)	1.078* (0.029)

Table 7.2 (cont'd): EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
SATISFACTION WITH GOVERNMENT HEALTH SERVICES	1.129* (0.022)	1.030* (0.024)	0.934* (0.024)	0.959* (0.025)
SATISFACTION WITH GOVERNMENT WATER AND SANITATION SERVICES	1.062* (0.020)	1.065* (0.024)	1.089* (0.027)	1.053* (0.027)
SATISFACTION WITH GOVERNMENT MAINTENANCE OF ROADS AND BRIDGES	1.125* (0.022)	1.036* (0.025)	1.033* (0.027)	1.078* (0.029)

Table 7.2 (cont'd): EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
LOCAL GOVERNMENT CORRUPTION	(-)1.062* (0.026)	(-)1.006* (0.030)	(-)1.012* (0.033)	(-)1.091* (0.034)
PARLIAMENT CORRUPTION	(-)0.978* (0.024)	(-)1.116* (0.036)	(-)1.043* (0.034)	(-)1.034* (0.035)
TAX OFFICIALS CORRUPTION	(-)0.973 (0.022)	(-)1.044 (0.028)	(-)1.026 (0.028)	(-)1.056 (0.030)
URBAN/RURAL	0.913* (0.029)	0.733* (0.030)	0.429* (0.018)	0.502* (0.021)
GENDER	0.898* (0.028)	0.753* (0.029)	0.805* (0.032)	0.813* (0.033)

Table 7.2 (cont'd): EFFECT OF QUALITY OF REPRESENTATION, TRUST, AND GOVERNMENT PERFORMANCE ON AFRICANS' WILLINGNESS TO PAY TAXES AND ACTUAL TAX PAYMENT	1	2	3	4
	PEOPLE MUST PAY TAXES	PAID LOCAL GOVERNMENT TAXES	PAID PROPERTY TAX	PAID INCOME TAX
CONSTANT	--	0.470* (0.071)	0.548* (0.085)	0.294* (0.046)
LOG LIKLIHOOD	20801.331	-8501.995	-8042.136	-7694.818
N	15,485	15,485	15,485	15,485

Table 7.3: AFRICANS' WILLINGNESS TO PAY TAXES BY COUNTRY (Country Dummy Variables)	
COUNTRY	WILLINGNESS TO PAY TAXES
BENIN	0.667*
BOTSWANA	0.088
BURKINA FASO	0.786*
CAPE VERDE	0.602*
GHANA	0.951*
KENYA	-0.211*
LESOTHO	-1.071*
LIBERIA	0.608*
MADAGASCAR	-0.529*
MALAWI	-0.199
MALI	0.338*
MOZAMBIQUE	-0.447*
NAMIBIA	-0.210
SENEGAL	0.382*
SOUTH AFRICA	-0.216*
TANZANIA	-0.091
UGANDA	0.655*
ZAMBIA	-0.529*
ZIMBABWE	-0.411*

APPENDIX

Interview Instrument for Nigerian State Legislators¹¹⁹

Local Councillor/State Legislator/National Legislator (Circle One)

Local Government Area (Name, if applicable):

State (Name):

TODAY'S DATE:

TIME INTERVIEW STARTED (Hour, Minute):

1. When were you first elected to the [Local Government Council/State Assembly/National Assembly] (Year Elected)?
2. How many total years have you been a [member of the Local Government Council/State Assembly/National Assembly]?
3. What was your main occupation before entering [Local Government Council/State Assembly/National Assembly]? *DO NOT READ OUT OPTIONS*
 - A. Never Had A Job
 - B. Farmer (produces only for home consumption)
 - C. Commercial Farmer (produces mainly for sale)
 - D. Businessperson (owner of a business)
 - E. Lawyer
 - F. Accountant / Auditor
 - G. Other professional (for example, doctor, nurse, engineer, etc.)
 - H. Supervisor / Mid-level manager / Foreman
 - I. Clerical Worker / Secretary / Clerk
 - J. Miner
 - K. Teacher or Headmaster / Headmistress
 - L. Government Worker / Civil Servant
 - M. Armed Services/ Police / Security Personnel

¹¹⁹ Adapted from instruments developed by the **African Legislatures Project** (University of Capetown, Center for Social Science Research-Democracy in Africa Research Unit) and the **Afrobarometer Public Opinion Survey** (Round 4, Afrobarometer Network, East Lansing, MI).

- N. Local councillor/Local government employee
- O. Traditional Authority/ Chief / Village Headman
- P. Student
- Q. Housewife / Works In the Household
- R. General manager / managing director of a company or a parastatal or NGO
- S. Banker
- T. University Lecturer or Professor
- U. Pastor/Evangelist
- V. Guerilla / Liberation fighter
- W. Musician
- X. Journalist

4. I want you to rate the effectiveness of the [Local Government Council/State Assembly/National Assembly] like a score card. For each of the following areas, how well or badly would you say the [Local Government Council/State Assembly/National Assembly] is doing its job? (Very Bad, Bad, Good, Very Good, Do Not Know)

A. Making laws

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

B. Representing constituents

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

C. Reviewing the national budget (the budget allocations, not how it's spent).

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

D. Monitoring how the Executive spends money

- A. Very Bad
- B. Bad
- C. Good

- D. Very Good
- E. Do Not Know

E. Fighting corruption in government

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

F. Assuring development reaches the poorest people

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

G. Fighting HIV/AIDS

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

H. Representing women's interests

- A. Very Bad
- B. Bad
- C. Good
- D. Very Good
- E. Do Not Know

5. Regardless of what others say the job of an member of the [Local Government Council/State Assembly/National Assembly] is, how would you describe the job of being an member of the Local Government Council/State Assembly/National Assembly: what are the most important responsibilities of an member of the Local Government Council/State Assembly/National Assembly? *WRITE DOWN ANSWERS VERBATIM, EVERYTHING, NOT JUST PHRASES*

6. What percentage of your time is devoted to each of the following? **GIVE CARD!**

- | | Percent |
|-------------------|---------|
| A. Plenary Work | _____ |
| B. Committee Work | _____ |

- C. Constituency Work _____
- D. Party Work (outside your constituency) _____
- E. Your other job (including ministerial work) _____
- PERCENTAGES SHOULD TOTAL TO 100%*

7. In your opinion, which of these following jobs is the *most* important part of being member of the [Local Government Council/State Assembly/National Assembly]? *READ OUT OPTIONS - PICK ONLY ONE GIVE CARD!*

- A. Debating bills and passing laws
- B. Making public policy by writing laws
- C. Overseeing the executive
- D. Bringing development to your constituency
- E. Representing constituents' views in parliament
- F. Assisting constituents with their personal problems
- G. Soliciting funds for your constituency
- H. Do Not Know *DO NOT READ*

Second Most Important?

- A. Debating bills and passing laws
- B. Making public policy by writing laws
- C. Overseeing the executive
- D. Bringing development to your constituency
- E. Representing constituents' views in parliament
- F. Assisting constituents with their personal problems
- G. Soliciting funds for your constituency
- H. Do Not Know *DO NOT READ*

Third Most Important?

- A. Debating bills and passing laws
- B. Making public policy by writing laws
- C. Overseeing the executive
- D. Bringing development to your constituency
- E. Representing constituents' views in parliament
- F. Assisting constituents with their personal problems
- G. Soliciting funds for your constituency
- H. Do Not Know *DO NOT READ*

8. For you personally, which one brings you the most satisfaction? *READ OUT OPTIONS – PICK ONLY ONE GIVE CARD!*

- A. I don't find my work rewarding
- B. Debating bills and passing laws

- C. Making public policy by writing laws
- D. Overseeing the executive
- E. Bringing development to your constituency
- F. Representing constituents' views in parliament
- G. Assisting constituents with their personal problems
- H. Soliciting funds for your constituency
- I. Do Not Know *DO NOT READ*

Second Most?

- A. I don't find my work rewarding
- B. Debating bills and passing laws
- C. Making public policy by writing laws
- D. Overseeing the executive
- E. Bringing development to your constituency
- F. Representing constituents' views in parliament
- G. Assisting constituents with their personal problems
- H. Soliciting funds for your constituency
- I. Do Not Know *DO NOT READ*

Third Most?

- A. I don't find my work rewarding
- B. Debating bills and passing laws
- C. Making public policy by writing laws
- D. Overseeing the executive
- E. Bringing development to your constituency
- F. Representing constituents' views in parliament
- G. Assisting constituents with their personal problems
- H. Soliciting funds for your constituency
- I. Do Not Know *DO NOT READ*

9. In general, when you take a position about an issue in the [Local Government Council/State Assembly/National Assembly], which of the following is most important?*READ OUT OPTIONS – PICK ONLY ONE GIVE CARD!*

- A. I am an independent DO NOT READ: MARK ONLY IF MEMBER IS INDEPENDENT
- B. The views of your party leader
- C. The views of your party
- D. The views of your constituents
- E. The national interest
- F. Your knowledge about the issue
- G. Your personal convictions
- H. The views of BOTH the party and party leader DO NOT READ
- I. Do Not Know DO NOT READ

10. What should MPs do if there is a conflict between their political party's position and:

The national interest (what's best for the nation)

- A. Support the Party Position
- B. Oppose the Party Position
- C. Abstain From Voting/Not Attend
- D. Don't Know *DO NOT READ*

Their personal convictions

- A. Support the Party Position
- B. Oppose the Party Position
- C. Abstain From Voting/Not Attend
- D. Don't Know *DO NOT READ*

The views of their constituents

- A. Support the Party Position
- B. Oppose the Party Position
- C. Abstain From Voting/Not Attend
- D. Don't Know *DO NOT READ*

11. Please indicate whether you agree more with Statement A or Statement B, or neither.

PICK ONLY ONE OPTION (Agree Very Strongly With A, Agree With A, Agree Very Strongly With B, Agree With B)

1.

- A. In our country these days, citizens should show more respect for authority.
- B. Citizens should be more active in questioning the actions of their leaders.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

2.

- A. People are like children; the government should take care of them like a father.
- B. Government is an employee; the people should be the bosses who control the government.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

3.

- A. People should look after themselves and be responsible for their own success in life.
- B. The government should bear the main responsibility for the well-being of people.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

4.

- A. Since leaders represent everyone, leaders should not favor their own family or group.
- B. Once in office, leaders are obliged to help their home community.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

5.

- A. In our country, women should have equal rights and receive the same treatment as men do.
- B. Women have always been subject to traditional laws and customs, and should remain so.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

6.

- A. Government should be able to ban any organization that goes against its policies.
- B. Citizens should be able to join any organization, whether or not the government approves of it.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

7.

- A. Government should close newspapers that print false stories or misinformation.
- B. The news media should be free to publish any story that they see fit without fear of being shut down.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

8.

- A. Government should not allow the expression of political views that are fundamentally different from the views of the majority.

B. People should be able to speak their minds about politics free of government influence, no matter how unpopular their views may be.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

9.

A.. The costs of reforming the economy are too high; the government should therefore abandon its current economic policies.

B. In order for the economy to get better in the future, it is necessary for us to accept some hardships now.

- A. Agree Very Strongly With A
- B. Agree With A
- C. Agree Very Strongly With B
- D. Agree With B

12. Do you live in your constituency, or area that you represent?

- A. No
- B. Yes

13. Would you say that you “come from” your constituency? Is it where you lived before you became an MP?

- A. No
- B. Yes

14. Do you have a constituency office?

- A. No -- Don't have a constituency office
- B. Yes

If yes: Who pays for it?

- A. Free (in your home, in your business premises)
- B. Yes -- Rent paid by you / Owned by you
- C. Yes -- Rent paid / space provided by Local/State/National Assembly
- D. Yes -- Rent paid / space provided by your political party

15. Do you have someone who represents you when you are not in your constituency?

- A. No
- B. Yes -- I pay salary

If yes: How do you compensate them?

- A. I pay salary.
- B. Party pays salary.
- C. Local/State/National Assembly pays salary.
- D. No salary/Volunteer.

16. Regardless of whether you have an office or not, does having an office in one's constituency improve the relationship with constituents, make no difference, or only make things worse?

- A. Helps a great deal
- B. Helps somewhat
- C. Makes no difference
- D. Makes things worse
- E. Makes things much worse
- F. Do Not Know *DO NOT READ*

17. How would you describe the burden on your personal time due to traveling back to your constituency?

- A. Major burden
- B. Minor burden
- C. Not a burden
- D. I live in my constituency because it is in or near [site of Assembly]
- E. Do Not Know *DO NOT READ*

18. How would you describe the burden of financial costs of traveling back to your constituency?

- A. Major burden
- B. Minor burden
- C. Not a burden
- D. I live in my constituency because it is in or near [site of Assembly]
- E. Do Not Know *DO NOT READ*

19. How much time do you spend in your constituency?

- A. Never
- B. At least once a year
- C. At least once a month
- D. At least weekly
- E. Almost all of your time
- F. Don't know

20. When [Local Government Council/State Assembly/National Assembly] is in session:

A. How many trips did you make to your constituency during a typical month?
_____ *TRIPS PER MONTH*

B. On average, how long did you stay (in days)?
_____ *DAYS PER TRIP*

21. When [Local Government Council/State Assembly/National Assembly] is not in session?

A. How many trips did you make to your constituency during a typical month?
_____ *TRIPS PER MONTH*

B. On average, how long did you stay (in days)?
_____ *DAYS PER TRIP*

22. Would you regard your constituency as mostly:

A. Urban / Suburban

B. Peri urban / semi urban

C. Rural

D. *Do Not Know DO NOT READ*

23. Thinking of the distance between your constituency and [site Local Government Council/State Assembly/National Assembly]:

A. How many kilometers is it?
_____ *KMS FROM [SITE of Local Government Council/State Assembly/National Assembly] TO CONSTITUENCY*

B. How long does it take you to travel this distance? (In Hours)
_____ *HOURS PER TRIP*

24. Thinking of the distance between your headquarters in your constituency to the furthest boundary of your constituency:

A. How many kilometers is it?
_____ *KMS FROM [SITE of Local Government Council/State Assembly/National Assembly] TO CONSTITUENCY*

B. How long does it take you to travel this distance? (In Hours)
_____ *HOURS PER TRIP*

25. How do you spend most of your time when you are in your constituency? **GIVE CARD!**

A. Giving speeches to groups at meetings and rallies

B. Listening to constituents

C. Attending local political party meetings

D. Attending functions, like weddings and funerals

E. Assisting, visiting and inspecting development projects

F. Meeting with government officials

G. Other: _____

H. Do Not Know *DO NOT READ*

Second most time consuming?

A. Giving speeches to groups at meetings and rallies

B. Listening to constituents

C. Attending local political party meetings

D. Attending functions, like weddings and funerals

E. Assisting, visiting and inspecting development projects

F. Meeting with government officials

G. Other: _____

H. Do Not Know *DO NOT READ*

Third most time-consuming?

A. Giving speeches to groups at meetings and rallies

B. Listening to constituents

C. Attending local political party meetings

D. Attending functions, like weddings and funerals

E. Assisting, visiting and inspecting development projects

F. Meeting with government officials

G. Other: _____

H. Do Not Know *DO NOT READ*

26. What is the primary method you use when you consult your constituents? GIVE CARD!

A. Attend general public meetings (open to all)

B. Attend meetings with religious leaders

C. Hold meetings with traditional local authorities

D. Hold meetings with constituency party officials

E. Hold meetings with provincial/regional party officials

F. Live in the constituency

G. Other: _____

H. Do Not Know *DO NOT READ*

27. Overall do you think the amount of time you spend with constituents is too much, too little, or about right?

A. Far too little

B. Too little

C. About right

D. Too much

E. Far too much

F. Do Not Know *DO NOT READ*

28. In general, how interested do you think the Members of the [Local Government Council/State Assembly/National Assembly] are in hearing what their constituents have to say?

A. Very interested

B. Interested

C. Not very interested

D. Not interested at all

E. Do Not Know *DO NOT READ*

29. On an average week, how many of your constituents contact you here?

A. None

B. One or two per week

C. One or two per day

D. Many people every day

E. Do Not Know *DO NOT READ*

30. In general, how do your constituents most often contact you when you are in [the city where Local Government Council/State Assembly/National Assembly meets]?

A. Cell phone

B. Landline

C. Through constituency office

D. In person

E. Letters

F. E-mail

G. Do Not Know *DO NOT READ*

31. How easy or difficult is it for ordinary people to obtain the following services? (Very Difficult, Difficult, Easy, Very Easy, Do Not Know)

A. An identity document (such as a birth certificate or passport)

A. Very Difficult

B. Difficult

C. Easy

D. Very Easy

E. Do Not Know

B. A place in primary school for a child.

A. Very Difficult

B. Difficult

C. Easy

D. Very Easy

E. Do Not Know

C. Household services (like piped water, electricity or telephone)

- A. Very Difficult
- B. Difficult
- C. Easy
- D. Very Easy
- E. Do Not Know

32. If an Member of [Local Government Council/State Assembly/National Assembly] ignores what his/her constituents have to say, do you think that he/she would still remain in office or lose the next election?

- A. Remain in office, definitely
- B. Remain in office, probably
- C. Lose their seat, probably
- D. Lose their seat, definitely
- E. Do Not Know *DO NOT READ*

33. Think about how elections work in practice in this country. How well do elections ensure that the Representatives to the National Assembly reflect the views of voters?

- A. Not at all well
- B. Not very well
- C. Well
- D. Very well
- E. D Not Know. *DO NOT READ*.

34. Think about how elections work in practice in this country. How well do elections enable voters to remove from office leaders who do not do what the people want?

- A. Not at all well
- B. Not very well
- C. Well
- D. Very well
- E. D Not Know. *DO NOT READ*.

35. In your opinion, what are the most important problems facing this country that government should address? ACCEPT TOP 3

36. In your opinion how much of a democracy is Nigeria today?

- A. Not a democracy
- B. A democracy, with major problems
- C. A democracy, but with minor problems

- D. Full democracy
- E. Do Not Know *DO NOT READ*

37. Overall, how satisfied are you with the way democracy works in Nigeria? Are you:

- A. Nigeria is not a democracy
- B. Not at All Satisfied
- C. Not Very Satisfied
- D. Fairly Satisfied
- E. Very Satisfied
- F. Do Not Know *DO NOT READ*

38. In your opinion, how likely is it that Nigeria will remain a democratic country?

- A. Nigeria is not a democracy
- B. Not at All Likely
- C. Not Very Likely
- D. Likely
- E. Very Likely
- F. Do Not Know *DO NOT READ*

39. Do you think that public revenues are adequate to development needs?

40. Is Nigeria is too reliant on oil revenues? Why or why not?

41. Who do you think actually has *primary* responsibility for collecting income taxes?

- A. The Federal government
- B. The State government
- C. The Local government
- D. Traditional leaders
- E. Members of the community
- F. None

42.

A. Do you think low-income citizens are under or over-taxed with respect to their income?
Can you provide examples?

B. Do you think high-income individuals are under or over-taxed with respect to their income? Can you provide examples?

C. Do you think corporations in Nigeria are under or over-taxed? Can you give examples?

43. In your opinion, how big of a problem is tax avoidance? Can you give examples?

44. How many Tax Officials do you think are involved in corruption, or haven't you heard enough about them to say?

- A. None
- B. Some of Them
- C. Most of them
- D. All of them
- E. Do Not Know *DO NOT READ*

45. Have you had to make any income tax payments during the past year?

- A. No
- B. Yes
- C. Do Not Know *DO NOT READ*

46. Please tell me whether you disagree or agree: The tax department always has the right to make people pay taxes.

- A. Strongly Disagree
- B. Disagree
- C. Neither Agree, Nor Disagree
- D. Agree
- E. Strongly Agree
- F. Do Not Know *DO NOT READ*

47. What is your current political party affiliation?

48. How old are you?

49. What is your home language?

50. What is your highest level of education (Primary school, secondary school, university)?

IF WENT TO UNIVERSITY OR COLLEGE SPECIFY EACH DEGREE.

51. What is your ethnic group or tribe?

52. What is your religious denomination, if any?

Thank you very much for your time.

TIME INTERVIEW ENDED (Hour, Minute):

Gender:

Interview Instrument for Civil Servants¹²⁰

Ministry:

Position:

TODAY'S DATE:

TIME INTERVIEW STARTED (Hour, Minute):

1. What is your position at this ministry? What are your daily responsibilities?
2. How long have you been at this post?
3. Do you think public revenues are adequate to meet development needs?
4.
 - a. Why have officials identified “internal revenue generation through taxation” as a superior alternative to petroleum income?
 - b. What strategies have been adopted to achieve this goal?
 - c. How have elected officials (e.g. legislators) reacted to reform efforts?
 - d. How have citizens reacted to reform efforts?
5. Do you think low-income citizens are under or over taxed with respect to their income?
6.
 - a. Do you think high-income citizens are under or over taxed with respect to their income?

¹²⁰ Adapted from instruments developed by the **African Legislatures Project** (University of Capetown, Center for Social Science Research-Democracy in Africa Research Unit) and the **Afrobarometer Public Opinion Survey** (Round 4, Afrobarometer Network, East Lansing, MI).

b. Do you think corporations are under or over taxed with respect to their income?

c. In your opinion, how big of a problem is tax-avoidance? Examples?

7. Who do you think actually has *primary* responsibility for collecting income taxes?

- A. The Federal government
- B. The State government
- C. The Local government
- D. Traditional leaders
- E. Members of the community
- F. None

8. How many Tax Officials do you think are involved in corruption, or haven't you heard enough about them to say?

- A. None
- B. Some of Them
- C. Most of them
- D. All of them
- E. Do Not Know *DO NOT READ*

9. Please tell me whether you disagree or agree: The tax department always has the right to make people pay taxes.

- A. Strongly Disagree
- B. Disagree
- C. Neither Agree, Nor Disagree
- D. Agree
- E. Strongly Agree
- F. Do Not Know *DO NOT READ*

Thank you very much for your time.

TIME INTERVIEW ENDED (Hour, Minute):

Research Participant Information and Consent Form: Legislators

MICHIGAN STATE UNIVERSITY

You are being asked to participate in a research study of elite (public and elected officials) opinions by answering questions about your views of current political and economic issues facing Nigeria today. This is part of my larger doctoral dissertation project, based at Michigan State University (East Lansing, MI, USA). The results of this study will be used to that end.

You have been selected to participate in this survey because of your position as a (Councilor, Representative, Senator) in Nigeria. You are not obligated to take part in this study. You may refuse to answer any question. All of your answers will be kept ***strictly confidential***. Your name is not on this questionnaire, and your name will **NEVER** be used with the answers you provide. Your answers will be put together with the answers of your colleagues who have also been selected for this survey to get an overall picture of the views and opinions of the elected officials across Nigeria.

Please feel free to answer openly and honestly. If something is unclear to you, or you want further explanation, please ask me. Most importantly, there are no right or wrong answers. Instead, I am interested in what *you* think and *your* opinions.

If you have concerns or questions about this study, such as scientific issues or how to do any part of it, please contact Olufunmbi M. Elemo via email at elemoolu@msu.edu, or regular mail at Olufunmbi M. Elemo Department of Political Science, Michigan State University, 323 South Kedzie Hall, E. Lansing, MI 48824. You may also contact Dr. Michael Bratton via email at mbratton@msu.edu or regular mail at Dr. Michael Bratton Department of Political Science, Michigan State University, 323 South Kedzie Hall, East Lansing, MI 48824.

If you have questions or concerns about your role and rights as a research participant, would like to obtain information or offer input, or would like to register a complaint about this study, you may contact, anonymously if you wish, the Michigan State University's Human Research Protection Program at 517-355-2180, Fax 517-432-4503, or e-mail irb@msu.edu or regular mail at 207 Olds Hall, MSU, East Lansing, MI 48824.

According to the research ethics policy of Michigan State University, I am obligated to tell you that there is no penalty for refusing to participate, and to ask you whether you wish to continue with this interview.

You indicate your voluntary agreement to participate by beginning this interview.

Research Participant Information and Consent Form: Civil Servants

MICHIGAN STATE UNIVERSITY

You are being asked to participate in a research study of elite (public and elected officials) opinions by answering questions about your views of current political and economic issues facing Nigeria today. This is part of my larger doctoral dissertation project, based at Michigan State University (East Lansing, MI, USA). The results of this study will be used to that end.

You have been selected to participate in this survey because of your position as a civil servant in Nigeria. You are not obligated to take part in this study. You may refuse to answer any question. All of your answers will be kept ***strictly confidential***. Your name is not on this questionnaire, and your name will **NEVER** be used with the answers you provide. Your answers will be put together with the answers of your colleagues who have also been selected for this survey to get an overall picture of the views and opinions of the elected officials across Nigeria.

Please feel free to answer openly and honestly. If something is unclear to you, or you want further explanation, please ask me. Most importantly, there are no right or wrong answers. Instead, I am interested in what *you* think and *your* opinions.

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