

Protests, Fiscal Redistribution, and Government Responses: Evidence from Nigeria

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In democracies, protests are often viewed by citizens as a costly last resort measure to demand more economic and political rights and resources from policymakers by whom they feel unheard. When citizens feel unheard, they may protest. A stark example of this was the Black Lives Matter (BLM) protests ignited by the killing of George Floyd. Over 15 million people participated in BLM protests in 2020 alone, and the protests in the 2010s resulted in it being labelled the 'decade of protest'. Many of these protests have highlighted distributive justice claims, from reparations to descendants of African slaves to redistribution of economic capital.

Can protests change policy around economic redistribution?

But can protests lead to meaningful changes in government policy, particularly around the redistribution of economic resources? This is a difficult empirical question to answer, partly due to the complexity of fiscal systems around the world and the scarcity of data on subnational public financing. This paper circumvents these empirical difficulties and studies the effects of protests on fiscal redistribution using evidence from Nigeria, whose highly centralised fiscal system makes it an informative region for studying how governments might directly deploy fiscal resources in response to citizen-led protests.

While most countries operate some type of revenue-sharing scheme where, for example, the federal government disburses conditional or unconditional grants to subnational entities, Nigeria is one of more than 30 countries with revenue-sharing schemes based on revenues from natural resources. This allows us to study the effects of protests on the distribution of revenues from a plausibly exogenous source (oil in this case), where federal or central governments do not depend on subnational entities or citizens for revenue. It also allows us to study these effects under a heavily consolidated top-down revenue-sharing system where the central government can choose to respond to economic grievance-driven protests by directly disbursing fiscal resources and quelling protests. We construct a new

dataset from 26 years of archival records on public finance from 1988 to 2016, assembling data on revenues and expenditures, and geocode information on protests to test our hypotheses in Nigeria.

We examine the responses of federal governments to citizen-led protests in states in Nigeria, under revenue-sharing regimes where the federal government can directly control disbursement of fiscal resources to states in response to protests. We can examine these responses under autocratic federal governments (Nigeria was under mostly military rule from around 1970 to 1999) and democratic federal governments (after 1999 in Nigeria) to examine whether autocratic and democratic governments respond to protests differently.

A clear influence

The results provide strong evidence that protests can influence fiscal redistribution as federal governments respond by increasing or decreasing revenue transfers to states. The ways in which they do this depend on the political relationships within governments and between disbursing federal governments and protesting regions.

Higher levels of protests in a state are associated with both increases and decreases in revenue transfers from federal governments to protesting states over the military and democratic periods.

- During the military period, protests increase one transfer outcome – called VAT transfers – by between 5.2 per cent to 11.5 per cent, and increase a separate transfer outcome – called allocation transfers – by 6.8 per cent.
- During the democratic period, protests decrease allocation transfers by between 0.5 per cent and 0.7 per cent.

We explore political alignment, or whether the federal government leader or president and the state government leader or governor come from the same political party, as a channel that may explain the heterogeneity in the effects of protests on revenue transfers. While there is no variation in alignment in the military period due to all

military state governors being direct political appointees and thus, by our definition, politically aligned with the president, we can examine results by alignment in the democratic period with the introduction of electoral politics.

- Protests increase VAT transfers in aligned areas by between 4 per cent to 6.6 per cent but decrease VAT transfers by around 1 per cent in non-aligned areas.
- The results on decreased allocation transfers in protesting states are almost entirely driven by protests in non-aligned states.

We also find that protests increase policing and police violence against protesters, particularly in states that are not politically aligned with disbursing federal governments. In contrast, protests are associated with decreased police violence against protesters in aligned states.

We also examine the association between protests and state expenditure and document significant negative associations between protests and recurrent expenditure.

Lessons for policymakers

The research provides valuable lessons for policymakers on the relationship between protests, fiscal redistribution, and government responses. Two big lessons stand out. First, policymakers should ensure that information about how different regions in their countries receive fiscal resources is made transparent and easily accessible to citizens. This can be done through collaboration with media stakeholders

(e.g. newspapers and TV/radio/internet news), and official government sources (e.g. national statistics office websites). Policymakers should also be transparent about what public goods are being funded with fiscal resources disbursed to their regions. This kind of full transparency will serve to inform citizens on how their fiscal resources are being spent, so that they do not feel compelled to take costly measures like protests to convey their preferences to their elected representatives. Second, policymakers should have regular audits, conducted by independent stakeholders, of their budgetary measures and fiscal practices, to ensure that politics are not driving budgetary allocation/spending decisions, which can exacerbate leakage/corruption and further worsen citizen welfare. Further research is needed to assess the links between protests and other economic redistribution, like public good provision, within states.

“Protests can influence fiscal redistribution. We find that protests increase transfers to protesting regions, but only in areas politically aligned with disbursing governments. Non-protest conflicts do not affect transfers and protests do not affect non-transfer revenue. Protesters face increased police violence.”

Further reading

Archibong, B.; Moerenhout, T. and Osabuohien, E. (2023) *Protest Matters: The Effects of Protests on Economic Redistribution*, ICTD Working Paper 155, Brighton: Institute of Development Studies, DOI: [10.19088/ICTD.2023.003](https://doi.org/10.19088/ICTD.2023.003)

Credits

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