

Breaking The Chains of Extraction in Nigeria: From Postcolonial Privilege to Inclusive Prosperity

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Abstract

This article explores the challenges of transitioning from extractive institutions to inclusive ones in Nigeria, drawing on insights from Daron Acemoglu and James Robinson's seminal book "Why Nations Fail". It argues that Nigeria's development challenge is not rooted in the morality of wealth, but rather in the need to restructure its institutions to serve the many rather than the privileged few. The article proposes a range of reforms to promote inclusive leadership, discipline elites, and channel national resources into public goods that benefit the broader population. By examining the colonial legacy of extractive institutions, the role of creative destruction, and the centrality of politics in shaping economic outcomes, this article provides a nuanced analysis of the complex factors hindering Nigeria's development. It also draws on global lessons from countries like Botswana, South Korea, and Chile, which have successfully transitioned to inclusive institutions, to chart a path forward for Nigeria. Ultimately, this article argues that Nigeria's future prosperity depends on its ability to break the chains of extraction and build inclusive institutions that promote broad-based economic growth and development.

Keywords: Extractive institutions, Inclusive institutions, Postcolonial privilege, Institutional reform, Economic development, Nigeria

Introduction

The paradox of privilege in a poor nation, a theme so poignantly captured in the discussion of Femi Otedola's memoir, is not unique to Nigeria. It is a recurring narrative in many postcolonial states, where the structures of power and wealth inherited from colonial rule have stubbornly refused to give way to systems that serve the many rather than the few. The challenge, as the prior article correctly identifies, is not about the morality of wealth, but about the institutional framework that enables its creation and distribution.

In my earlier reflection on *The Privilege Paradox: Wealth, Institutions, and the Price of Prosperity in a Poor Nation*, we concluded with a stark but necessary reminder: Nigeria's challenge is not to lament the privileges of the few, but to restructure its institutions so that success arises from competition, innovation, and merit rather than connections. That call remains urgent.

The question now is how nations like Nigeria, still trapped in the legacies of colonial extraction and postcolonial privilege, can shift toward inclusive leadership that creates prosperity for the many rather than enrichment for the few.

Professors Daron Acemoglu and James Robinson, in their landmark book *Why Nations Fail*, offer both diagnosis and direction. Their argument is unflinching: poverty persists not because nations are ignorant of the right policies, but because elites choose policies that serve their narrow interests. As they put it, "Poor countries are not poor because their leaders do not know the right policies. They are poor because their leaders choose policies that serve their own interests."

This piece explores how postcolonial states can dismantle extractive institutions and nurture inclusive ones. It draws on Acemoglu and Robinson's insights, historical lessons, and comparative evidence to chart a path from privilege to prosperity.

I. The Colonial Legacy: Institutions Built to Extract

The story of many African and postcolonial states begins with institutions designed not for development but for extraction. Colonial powers structured political and economic systems to funnel resources outward rather than cultivate local prosperity.

Nigeria's colonial economy revolved around cash crops and crude oil, structured through indirect rule that empowered a narrow elite while disempowering the majority. This pattern fits

Acemoglu and Robinson's observation that "when economic institutions are extractive, only a small group of individuals benefit. They gain wealth not by creating, but by controlling and expropriating."

The tragedy is that independence did not dismantle these systems—it repurposed them. Local elites inherited extractive institutions and redeployed them in their own interests. Thus, the state became less a vehicle of shared development than a marketplace of patronage.

This continuity explains why many postcolonial nations, Nigeria included, remain rich in resources but poor in human development. Extractive institutions, once imposed, are notoriously sticky to remove unless there are concerted efforts from a coterie of individuals and groups.

II. Why Privilege Persists: Power and the Fear of Creative Destruction

A central theme in *Why Nations Fail* is the role of creative destruction, the process by which innovation disrupts old ways of doing things and redistributes power. Nations prosper when elites allow creative destruction to flourish. Nations fail when elites block it, fearing the loss of their privileges. That is precisely what the Nigerian elites have been doing since independence.

As the authors state: "Creative destruction is the engine of growth. When elites fear it, they block it—and nations remain poor."

This insight is painfully visible in Nigeria. From telecommunications licensing to oil block allocations, the pattern is clear: elites protect incumbents rather than open opportunities. They fear that true competition would undermine their advantage.

The result is stagnation. Innovation struggles to scale. Young entrepreneurs migrate abroad. Economic growth, when it occurs, is concentrated in rent-heavy sectors like oil and real estate rather than in dynamic, inclusive industries like manufacturing or technology.

III. Why Nations Fail: The Centrality of Politics

One of the most forceful lines in Acemoglu and Robinson's thesis is this: "The real barrier to prosperity is not culture or geography, it is politics."

This reframing matters because too often, African poverty is explained by cultural stereotypes or geographical determinism. But the Korean peninsula offers a living counterpoint: same culture, same geography, yet South Korea prospers while North Korea languishes. The difference is in political institutions.

For Nigeria, this underscores a sobering truth, as geography blessed it with oil, fertile land, and a youthful population. Culture gifted it with resilience and entrepreneurial energy. But politics, shaped by extractive institutions, has turned these blessings into curses.

Prosperity will remain elusive until political power is redistributed to serve the many. As the book reminds us: “Political power is the foundation. It shapes whether institutions are inclusive or extractive, and whether prosperity is broad or narrow.”

IV. Inclusive Leadership: The Road Not Taken

So, what does inclusive leadership look like? And how can postcolonial nations chart that road?

Inclusive leadership is not just about elections or representation. It is about structuring institutions to distribute opportunity broadly, discipline elites as much as citizens, and channel national resources into public goods.

Inclusive leadership means:

- Secure property rights: Farmers, entrepreneurs, and innovators must trust that their gains will not be arbitrarily seized.
- Rule of law: The judiciary must discipline elites as well as the poor.
- Open markets: Barriers to entry must be lowered so that competition is fair.
- Public goods investment: Infrastructure, education, and health systems must serve the many, not just the privileged.

As Acemoglu and Robinson write, “Inclusive institutions create the conditions for innovation and prosperity. Extractive ones guarantee stagnation.”

V. Global Lessons: When Nations Choose Inclusion

Several countries provide models for how inclusive institutions can be built even in complex contexts.

Botswana: Diamonds and Discipline

At independence, Botswana faced the classic “resource curse” risk. But its leaders, led by Seretse Khama, chose transparency, reinvestment, and the rule of law. They resisted the temptation to hoard diamond rents, instead channelling revenues into education and infrastructure. Today, Botswana is among Africa’s most stable and prosperous nations.

South Korea: From Poverty to Prosperity

South Korea in the 1950s was poorer than many African nations. Yet it embraced industrial policy, mass education, and land reform. Crucially, it created institutions that allowed innovation and competition to thrive. Today, it is a global technological powerhouse.

Chile: From Crisis to Stability

After years of extractive military dictatorship, Chile transitioned toward democracy in the 1990s, strengthening its institutions and investing in social programs. While challenges remain, inclusive reforms helped stabilize its economy and reduce poverty significantly.

These examples demonstrate that inclusive transitions are possible, but they require political will, institutional reform, and a willingness to discipline privilege.

VI. Nigeria's Crossroads: Breaking the Cycle

Nigeria today stands at a crossroads because it can continue the extractive path, producing billionaires in a sea of poverty, or it can choose the inclusion pathway. The stakes could not be higher: to remain trapped in extraction is to court stagnation and insecurity; to embrace inclusion is to unleash the vast potential of Africa's most populous nation.

The reforms needed are not as mysterious as our leaders want us to believe. Acemoglu and Robinson argue that nations succeed only when they build institutions that are both inclusive and sustainable, protecting broad participation while disciplining elites. For Nigeria, this means rethinking how political and economic power is structured and used in the context of governance.

1. Electoral Integrity and Political Accountability

At the heart of inclusive institutions is accountability. As the Nobel Laureates remind us: "Political power is the foundation. It shapes whether institutions are inclusive or extractive." Nigeria's elections too often become contests for access to state resources rather than mechanisms of accountability. The following, among other things, are suggested:

- Independent electoral bodies must be insulated from political capture. Appointments to the Independent National Electoral Commission (INEC) should be transparent and multi-stakeholder, rather than being made by the President alone.
- Technology-enabled transparency (biometrics, blockchain-backed verification) can reduce ballot manipulation.

- Campaign financing reforms can limit the stranglehold of money politics, ensuring that ideas, not patronage, decide leadership contests.

Without credible elections, inclusive policies cannot emerge. Electoral integrity is the gatekeeper reform.

2. Judicial Independence and the Rule of Law

Acemoglu and Robinson stress that inclusive institutions protect property rights and apply the rule of law evenly. In Nigeria, the judiciary too often bends to executive influence or elite capture. So, we advocate for:

- Reform judicial appointments to strengthen merit over politics.
- Financial autonomy of courts must be safeguarded to prevent executive pressure.
- Speedy and transparent adjudication of corruption cases will send the message that elites are not above the law.

A judiciary that disciplines privilege is essential to breaking extraction.

3. Energy Sector Restructuring: From Monopolies to Competition

The energy sector epitomizes Nigeria's extractive trap: a resource-rich nation with unreliable power. Otedola's memoir revealed how privilege allowed diesel monopolies to flourish while households and small businesses paid crushing costs. Hence, there is an urgent need to institute the following:

- Liberalize and decentralize the electricity market to allow private and community players to compete.
- Transparent oil block allocation through open bidding, eliminating patronage-based awards.
- Investment in renewables and mini-grids, particularly solar, to democratize energy access.

Inclusive energy systems broaden opportunity: they reduce costs for small firms, improve household welfare, and undercut elite monopolies.

4. Investment in Human Capital: Education and Health as Equalizers

Inclusive leadership invests in people. Nigeria's demographic dividend will become a curse if education and healthcare remain neglected.

- Universal basic education with emphasis on digital literacy, vocational training, and entrepreneurship.

- Health financing reform to expand affordable care, reducing out-of-pocket costs that drive families into poverty.
- Technical and Vocational education to become the pivot of the nation to resolve job creation and unemployment.
- Merit-based funding of universities to end politicization and boost research capacity.

As Acemoglu and Robinson argue, “Inclusive institutions create the conditions for innovation and prosperity.” Human capital is the bedrock of those conditions.

5. Expanding Financial Access for SMEs

Small and medium enterprises (SMEs) are the backbone of inclusive growth, yet in Nigeria, they face financing deserts. It is recommended that we:

- Strengthen development finance institutions with a mandate to serve SMEs rather than connected conglomerates.
- Credit guarantee schemes to de-risk lending to small businesses.
- Digital finance ecosystems (mobile money, fintech) that broaden access, especially for women and youth.

Breaking the extractive hold on finance ensures that innovation is not confined to the privileged.

6. Decentralization and Local Accountability

One lesson from *Why Nations Fail* is that concentrated power breeds extraction. Nigeria’s over-centralized federalism fuels corruption and elite capture. My thoughts are that:

- True fiscal federalism would allow states to raise and spend more of their revenues, reducing dependence on Abuja’s oil rents.
- Strengthen local governance by empowering municipalities to deliver basic services, making them accountable directly to citizens.

By dispersing power, decentralization dilutes extraction.

7. Creative Destruction: Embracing Innovation

Extractive elites fear disruption. Yet prosperity depends on allowing innovation to replace old monopolies. Let us work together to enact:

- Policy frameworks that protect startups from elite strangulation in sectors like fintech, e-commerce, and renewable energy.

- Public procurement reforms that open contracts to competitive bidding rather than entrenched firms.
- Support for research and development to foster indigenous solutions.

As Acemoglu and Robinson warn, “When elites fear creative destruction, they block it—and nations remain poor.” Nigeria must unleash its innovators.

8. Building Broad Coalitions for Reform

Extractive elites will not dismantle their privileges voluntarily. Reform requires a coalition broad enough to challenge entrenched interests. A Yoruba adage says, “Ojuboro ko la fin gba omo lowo ekuro”, which translates (It is with strength and power that you break/crack palm kernel to retrieve its fruit), so we suggest the following:

- Civil society mobilization to demand accountability and transparency.
- Youth movements leveraging Nigeria’s demographic weight to push inclusive reforms.
- Private sector alliances that recognize long-term stability require inclusive growth.
- International partners offering incentives (aid, investment, market access) tied to governance reforms.

Breaking the cycle means aligning multiple stakeholders around a common agenda.

9. Tackling Corruption as Structural, Not Personal

Corruption is not simply a matter of “bad people” but of bad institutions. Extractive systems incentivize corruption in Nigeria, as we can see from the scenes and acts being played out over the years by the institutions with the mandate. Inclusive reforms reduce the opportunities and rewards for rent-seeking. Therefore, we suggest that we put in place the following with sincerity of purpose:

- Digitize public services to cut face-to-face rent-seeking.
- Mandatory asset declarations and public registers for politicians.
- Whistleblower protections to safeguard those who expose graft.

The fight against corruption is not moralistic; it is institutional, and it must not be fought against the people but with those people who are leeches on the nation’s commonwealth.

The Barrier: Will, Not Knowledge

The barrier is not ignorance, as Acemoglu and Robinson insist: “Nations fail not because of ignorance, but because those who control power design institutions to enrich themselves at the expense of society.”

It is obvious that Nigeria knows what reforms are needed; the question is whether the political will and the societal coalition exist to overcome elite resistance.

Breaking the cycle, therefore, requires a coalition broad enough to challenge entrenched privilege and demand inclusive reforms. Civil society, youth movements, business leaders, and reform-minded politicians must converge on the same agenda: dismantling extraction, building inclusion, only then can Nigeria move from privilege to prosperity.

Conclusion

The choice facing postcolonial nations, Nigeria foremost among them, is clear: they can continue with extractive leadership, where privilege shields the few and poverty traps the many. Instead, they can embrace inclusive leadership, where institutions broaden opportunity, reward innovation, and discipline power.

The journey will not be easy. Extractive elites rarely surrender privilege willingly. But history shows it can be done. From Botswana to South Korea, nations have turned away from extraction toward inclusion and reaped prosperity.

The final word belongs again to Acemoglu and Robinson: “Nations fail not because their leaders do not know the right policies. They fail because their leaders choose policies that serve their own interests.”

For Nigeria, the path forward lies in leaders and citizens choosing differently. Only then will the chains of extraction be broken, and the promise of prosperity fulfilled.

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