

AN ETHICAL CONSIDERATION OF THE SOCIOECONOMIC IMPLICATIONS OF OIL SUBSIDY REMOVAL IN NIGERIA

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ABSTRACT

The 2023 removal of oil subsidies in Nigeria has produced significant socioeconomic consequences, including rising inflation, increased transportation costs, and reduced purchasing power for essential goods. While the government presents the policy as a necessary step toward fiscal sustainability and economic efficiency, its immediate effects have disproportionately burdened low-income households and raised critical ethical questions about justice and human development. This paper undertakes a philosophical inquiry into the moral dimensions of subsidy removal, arguing that economic reforms must be evaluated not only on financial grounds but also on their impact on human dignity, equity, and social welfare. Using the analytic method, the study applies four philosophical frameworks of utilitarianism, Rawlsian justice, the Capability Approach, and deontological ethics to assess the policy's implications for Nigerian society. Through its analytic method, the central argument is that the state has a moral obligation to ensure that economic transitions do not deepen existing inequalities or compromise the well-being of vulnerable citizens. It also examines the economic outcomes of subsidy removal, particularly inflationary pressures, widening income disparities, and challenges to public investment and governance. Findings indicate that without robust social protection mechanisms, the policy undermines the principles of distributive justice and human capability. Ultimately, it recommends targeted social safety nets, investment in renewable energy, skills development initiatives, transparent governance processes, and independent monitoring as measures to ensure that economic reform promotes inclusive development. The paper concludes that ethical governance requires balancing fiscal responsibility with the protection of human capabilities to guarantee that economic growth leads to tangible improvements in the quality of life for all Nigerians.

Keywords: Ethical, Socio-economic, Subsidy, Philosophy and Human Development

INTRODUCTION

The debate over oil subsidy removal in Nigeria goes beyond economic figures and budgetary tables. At its heart lies a moral question: what responsibility does the state owe to its citizens during economic transition? For decades, fuel subsidies have acted as an informal social buffer, keeping the cost of petrol artificially low and making transportation and basic commodities affordable for millions of Nigerians (Ojo, 2020). In a country where poverty remains widespread, this policy has provided relief to households that struggle to meet daily needs.

In May 2023, the federal government announced the immediate removal of fuel subsidies as part of a broader fiscal reform aimed at reducing debt and eliminating corruption in the subsidy system (Ministry of Finance, 2023). The intention was to redirect savings toward infrastructure, education, and healthcare. However, the sudden implementation without adequate safety nets led to a sharp increase in living costs. Inflation rose from 22.4% in May 2023 to 33.2% in March 2024, while food prices increased by over 40% within the same period (National Bureau of Statistics, 2024).

This situation presents an ethical dilemma. Can a government justify a policy that brings long-term economic gains but causes immediate hardship for the poorest citizens? Is it morally acceptable for the state to prioritize macroeconomic stability over the immediate welfare of its people? These questions cannot be answered by economic data alone. They require philosophical reflection on justice, fairness, and human dignity.

This article therefore examines the ethical implications of oil subsidy removal through four philosophical lenses: utilitarianism, Rawlsian justice, the Capability Approach, and deontology. The aim is to evaluate whether the policy aligns with the demands of human development and social equity in Nigeria.

LITERATURE REVIEW

Smith analyzes the economic role of oil subsidies in Nigeria. He notes that while subsidies have historically helped to stabilize fuel prices and support low-income households, they have also created a heavy fiscal burden due to corruption and fluctuating oil prices (Smith, 2020). Smith's work is useful for understanding the financial dimension of the policy but does not address its ethical implications for vulnerable groups.

Olayemi approaches the issue from a social justice perspective. She argues that economic reforms must be guided by principles of fairness. She stated further that the burden of adjustment should not fall disproportionately on marginalized populations (Olayemi, 2022). Olayemi criticizes the Nigerian government for failing to establish adequate social protection measures during the subsidy transition, which she describes as a failure of moral responsibility. Her analysis informs the emphasis on equity in this article.

Adeyemi provides empirical evidence on the inflationary effects of subsidy removal (Adeyemi, 2021). His study shows that a 100% increase in petrol prices leads to a 15-20% rise in food prices within three months, with low-income households experiencing the greatest impact. Adeyemi's findings highlight the need for targeted interventions to protect vulnerable citizens during economic reforms.

Although these studies offer valuable insights, most of them focus on economic and policy analysis. Few engage with normative philosophical frameworks to assess the moral legitimacy of subsidy removal. This article fills that gap by combining philosophical reflection with socioeconomic evidence.

PHILOSOPHICAL FRAMEWORKS

Utilitarianism

Utilitarianism as a consequentialist theory holds that an action is morally right if it produces the greatest overall happiness for the greatest number of people (Mill, 2004). According to this background, an action is judged right if it gives overall good and bad if it produces pain. Judging from this perspective, the government may argue that subsidy removal will benefit the majority in the long run by freeing resources for development projects. The fiscal savings from subsidy removal, estimated at ₦1.2 trillion annually, could theoretically be invested in roads, power, healthcare, and education, thereby increasing aggregate social welfare over time (Ministry of Finance, 2023).

However, utilitarianism faces the problem of distribution. As Coeckelbergh (2020) observes, if a policy increases total welfare but causes severe suffering for a minority, its moral justification becomes doubtful. In the Nigerian context, the “minority” suffering is in fact a majority of the population — over 133 million people living in multidimensional poverty (NBS, 2023). The short-term pain is not abstract; it manifests as children dropping out of school due to transport costs, families skipping meals, and small businesses collapsing due to higher operating costs.

A further utilitarian challenge is the difficulty of measuring and comparing utility. How does one weigh the utility of a middle-class commuter against that of a rural farmer who can no longer afford fertilizer because of increased transport costs? Utilitarian calculus risks reducing human suffering to an impersonal calculation. A consistent utilitarian approach would therefore require that those who bear the costs be compensated in some way, through cash transfers, food subsidies, or public transport subsidies. Without such compensation, the policy violates the utilitarian requirement of maximizing net happiness.

Rawlsian Justice

John Rawls proposes that a just society must protect equal basic liberties and ensure that social and economic inequalities benefit the least advantaged members (Rawls, 1971). This is known as the difference principle. Applied to subsidy removal, the policy can only be considered just if it improves the condition of the poorest citizens. In further vein, Rawls posits that in the current situation, where low-income households face higher costs without adequate support, the policy fails to meet this standard (Rawls, 2001).

Rawls also introduces the thought experiment of the “veil of ignorance.” He argues that rational individuals, not knowing whether they will be rich or poor in society, would design institutions that protect the worst-off. From behind the veil of ignorance, no rational person would endorse a subsidy removal policy that exposes them to sudden economic vulnerability without a safety net. This procedural test of justice is particularly relevant in Nigeria, where social mobility is low and economic shocks can trap families in poverty for generations.

Moreover, Rawls emphasizes the priority of liberty over economic efficiency. If subsidy removal undermines basic liberties — such as the freedom of movement due to unaffordable transport, or the liberty to pursue education due to increased costs — then it is unjust regardless of its economic benefits. The difference principle thus demands that any economic reform must be structured so

that it raises the position of the least advantaged, either through direct compensation or through investment in public goods that disproportionately benefit them.

Capability Approach

The Capability Approach, developed by Amartya Sen and Martha Nussbaum, focuses on what people are actually able to do and to be. To substantiate their claims, Amartya posits that “development can be seen as a process of expanding the real freedoms that people enjoy” (Sen, 1999). While in another vein, Nussbaum claims that “the capability approach focuses on what people are actually able to do and to be” (Nussbaum, 2000, p. 5). These claims evaluate development by its impact on human freedoms and opportunities rather than on income or GDP alone.

In the context of subsidy removal, the capability approach offers a more nuanced lens than income-based analysis. Capabilities include not only material resources but also the ability to live a healthy life, to be educated, to move freely, and to participate in community life. Subsidy removal directly erodes several of these capabilities. Higher transport costs reduce mobility, limiting access to hospitals, markets, and schools. Rising food prices constrain nutrition, affecting health and cognitive development. Increased school fees indirectly resulting from inflation can force parents to withdraw children from education, particularly girls.

The capability approach also highlights the importance of conversion factors — the degree to which a person can convert resources into actual functioning. Two individuals with the same income may have different capabilities due to factors such as disability, location, or gender. In Nigeria, women in rural areas face greater barriers in converting income into health and education outcomes due to cultural and infrastructural constraints. Subsidy removal, by reducing disposable income, disproportionately affects these vulnerable groups.

Furthermore, Nussbaum (2000) identifies a list of central human capabilities that any just society should guarantee. These include life, bodily health, bodily integrity, senses and imagination, emotions, practical reason, affiliation, other species, play, and control over one’s environment. Subsidy removal threatens several of these, particularly bodily health and control over one’s material environment. A just policy, therefore, must ensure that the minimum threshold of these capabilities is protected before economic efficiency is pursued.

Deontological Ethics

Deontological ethics, associated with Immanuel Kant, holds that certain actions are morally right or wrong based on duty rather than consequences (Kant, 1998). According to this view, the state has a duty to respect the dignity and rights of all citizens, especially the vulnerable. Using the poor as a means to achieve fiscal balance without their consent or protection violates this duty. The Kantian imperative to treat humanity always as an end and never merely as a means is directly applicable here. When the state justifies hardship for the poor on the grounds of future economic gain, it risks instrumentalizing them.

Deontology also requires that policies be universalizable, meaning they should be acceptable if applied to everyone in similar circumstances. Would the government accept a policy that suddenly

doubles the cost of living for its own officials without compensation? If not, then the policy cannot be universalized and thus fails the categorical imperative.

Additionally, Kantian ethics emphasizes autonomy and rational agency. Citizens should not be subjected to policies that fundamentally alter their life conditions without participation or consent. The abrupt nature of subsidy removal, with minimal public consultation, undermines the autonomy of citizens and violates the principle of respect for persons. A deontological approach would therefore insist on procedural justice — inclusive dialogue, transparency, and respect for the dignity of those affected — as a precondition for any legitimate policy change.

ECONOMIC IMPLICATIONS OF FUEL SUBSIDY REMOVAL

Inflationary Pressures

Fuel is a key input in transportation, agriculture, and manufacturing. According to Adeyemi (2021), the removal of subsidies has led to a sharp increase in fuel prices, which has pushed up the cost of goods and services across the economy. The transmission mechanism is direct: higher fuel costs increase transportation fares, which in turn raise the price of food and manufactured goods. Low-income households, which spend a larger proportion of income on food and transport, are most affected by this inflation (Balogun, 2021).

The inflationary effect is also compounded by the pass-through effect on the naira. As import costs rise due to higher fuel prices for logistics, the pressure on foreign exchange reserves increases, further weakening the currency and driving import inflation. This creates a vicious cycle where the poor are squeezed both by higher nominal prices and by reduced real purchasing power.

Effects on Economic Growth and Investment

Supporters of subsidy removal like the Ministry of Finance argue that it frees public funds for investment in critical areas such as infrastructure, health, and education (Ministry of Finance, 2023). In principle, this could stimulate long-term economic growth by improving productivity and reducing the fiscal deficit. Redirected funds could also improve Nigeria's debt-to-GDP ratio and restore investor confidence.

However, Nigeria's history shows that savings from subsidy cuts are often misused or lost to corruption (Nigeria Extractive Industries Transparency Initiative, 2023). Without strong institutions and transparency, the expected growth benefits may not be realized. The 2012 partial subsidy removal, for instance, did not result in commensurate improvements in public infrastructure, leading to public skepticism. For growth to materialize, the government must demonstrate credible commitment to accountable expenditure and efficient project implementation.

Income Inequality

Subsidy removal tends to increase income inequality. Wealthier individuals have more capacity to absorb higher costs or to adopt alternative energy sources, such as solar power or private

generators, while poorer households have limited options (World Bank, 2023). This growing gap can weaken social cohesion and lead to public dissatisfaction and social unrest.

Inequality is further exacerbated by the regressive nature of fuel taxation. Since poorer households spend a higher proportion of their income on fuel and food, the burden of subsidy removal is regressive. A progressive tax system combined with targeted transfers would be necessary to offset this effect and maintain vertical equity.

Public Investment and Governance

The success of reinvesting subsidy savings depends on the quality of governance. According to Transparency International, Nigeria ranks 145th out of 180 countries on the Corruption Perceptions Index (Transparency International, 2025). Without transparent budgeting and accountability, there is a risk that funds will not reach the intended beneficiaries. The history of budgetary leakages in Nigeria suggests that fiscal savings alone do not guarantee improved service delivery.

Community participation and open access to budget information are important for building public trust. Mechanisms such as citizen budget tracking, independent audits, and legislative oversight can help ensure that subsidy savings are used for their intended purpose. Without these, the policy risks reinforcing public distrust in government.

Impact on the Oil Sector

While higher domestic fuel prices may increase government revenue, the World Bank asserts that they can also create uncertainty that discourages foreign investment (World Bank, 2023). Investors prefer stable and predictable policy environments. The abrupt removal without a clear long-term energy policy has created policy uncertainty in the downstream sector.

A clear long-term energy policy is therefore needed to maintain confidence in the sector. This should include a roadmap for transitioning to cleaner energy sources, incentives for private sector participation in refining, and regulatory frameworks that protect consumers from price exploitation.

HUMAN DEVELOPMENT: THE ROLE OF GOVERNMENT

Human development involves more than economic growth. It includes improvements in health, education, and overall quality of life (UNDP, 1990). The government has a central role in promoting these outcomes, especially during periods of economic change.

Access to Essential Services

The state must ensure that citizens can access healthcare and education. Nigeria's 2024 budget allocates only 4.5% to health and 7.9% to education, which is below the Abuja Declaration target

of 15% and the UNESCO benchmark of 20% (Ministry of Finance, 2024). Increasing funding in these areas is important to reduce the impact of rising living costs and to protect the capabilities of citizens.

Social Safety Nets

Social protection programs can help cushion the effects of subsidy removal. The National Social Safety Net Program currently reaches only 15 million of the estimated 133 million poor Nigerians (National Social Safety Net Coordinating Office, 2024). Expanding coverage and improving the targeting of beneficiaries through biometric data and community input are necessary steps. Cash transfers should be indexed to inflation to maintain their real value.

Economic Opportunities

Skills training can improve employment prospects and reduce dependence on subsidized fuel. The government should strengthen Technical and Vocational Education and Training (TVET) programs that match labor market needs (National Board for Technical Education, 2024). Partnerships with the private sector can ensure that training is aligned with industry demand, particularly in renewable energy and digital technology.

Governance and Accountability

Transparent and accountable governance is essential for human development. The adoption of Open Government Partnership principles, including public tracking of subsidy savings, can improve trust and ensure that resources are used effectively (Open Government Partnership, 2023). A publicly accessible dashboard showing how subsidy savings are allocated would enhance transparency.

Equity and Social Justice

Policies should be designed to address existing inequalities. This includes introducing progressive taxation on luxury goods and windfall profits in the oil sector to fund social programs (Ismail, 2019). Equity also requires gender-sensitive policy design, recognizing that women and children are often the most vulnerable during economic shocks.

POLICY RECOMMENDATIONS

Targeted Social Safety Nets

The government should expand the National Social Safety Net Program to cover 40 million of the poorest Nigerians with monthly cash transfers of ₦25,000, adjusted for inflation (NASSCO, 2024). This would provide immediate relief while longer-term structural reforms take effect.

Investment in Renewable Energy

A Renewable Energy Fund of ₦500 billion should be created using 30% of subsidy savings to develop solar and wind energy infrastructure, which can reduce long-term energy costs (Ministry

of Power, 2024). This would also align with Nigeria's climate commitments under the Paris Agreement.

Skills Development Programs

The government should scale up TVET programs to train 2 million youths by 2028 in renewable energy, agriculture, and digital skills to improve employability (NBTE, 2024). Skills development can provide alternative livelihoods and reduce dependence on informal transport sectors affected by fuel prices.

Transparent Policy Process

Future subsidy reforms should include public consultations and independent impact assessments to ensure inclusivity and legitimacy (OGP, 2023). Stakeholder engagement with labor unions, civil society, and community leaders can improve policy design and acceptance.

Monitoring and Evaluation

An independent Subsidy Reform Monitoring Commission with civil society representation should be established to publish quarterly reports on the socioeconomic effects of the policy (OGP, 2023). This would provide evidence-based feedback for policy adjustment.

SUMMARY

The removal of oil subsidies in Nigeria represents more than an economic adjustment. It is a policy decision with profound ethical and social consequences. This article has examined the issue through four philosophical frameworks and found that the current implementation of the policy falls short of ethical standards of justice and human development.

From a utilitarian perspective, the policy may produce long-term benefits, but it fails to adequately compensate those who bear the immediate costs. The net utility calculation is negative when the suffering of the poor is properly weighted. Rawlsian justice requires that economic reforms benefit the least advantaged, yet the poorest Nigerians have borne the greatest burden without sufficient protection. The Capability Approach shows that subsidy removal has diminished people's ability to access transportation, healthcare, education, and nutrition, thereby weakening human development. Deontological ethics emphasizes that the state has a duty to respect the dignity and rights of all citizens, and using the poor as a means to achieve fiscal balance violates this duty.

The economic analysis further reveals that subsidy removal has triggered inflation, widened income inequality, and created governance challenges. Without transparency and accountability, savings from subsidy removal may not translate into meaningful public investment. The historical record of mismanaged public funds in Nigeria reinforces the need for institutional safeguards.

CONCLUSION

In a justifiable ethical perspective, it could be concluded that subsidy removal can only be ethically justified if it is accompanied by inclusive and protective measures. The government must prioritize human welfare alongside fiscal responsibility. This includes expanding social safety nets, investing in renewable energy, strengthening skills development, and ensuring transparency in policy processes.

Ultimately, the success of economic reform in Nigeria depends on its ability to promote both efficiency and equity. A just transition ensures that growth leads to real improvements in the quality of life for all citizens, particularly the most vulnerable. Only then can the state fulfill its moral obligation to protect and promote human dignity. The ethical legitimacy of policy cannot be separated from its human consequences. It is indeed worthwhile here to rechoe Sen's advice that, development must be freedom; freedom from deprivation, freedom from insecurity, and freedom to live a life one has reason to value (Send, 1999).

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