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HOW OPPORTUNISTIC AND PARTISAN POLITICAL BUSINESS CYCLES INTERACT IN NIGERIA'S OIL-RELIANT ECONOMY: EVIDENCE OF FISCAL POLICY MANIPULATION (1999-2023)

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Abstract

This study investigates the existence and dynamics of opportunistic and partisan political business cycles in Nigeria over the democratic Fourth Republic period (1999–2023). We investigate the impact of pre-election periods and regime changes (PDP versus APC) using annual time-series data and a hybrid Vector Autoregression (VAR) framework that incorporates growth of government expenditure, inflation, GDP growth and unemployment, while controlling for oil price volatility and its interactions. The findings of the improved VAR(2) model and the large number of robustness checks indicate that the classical opportunistic model of Nordhaus (1975) is not well supported. Pre-election dummies have positive, though generally not statistically significant, effects on growth of government spending, and have weak or counter-intuitive effects on inflation and real outcomes. We, on the other hand, have more evidence of partisan effects: the APC regime (post-2015) is associated with higher growth of government expenditure, but much lower growth of GDP than the PDP regime. Impulse response functions suggest that macroeconomic shocks are mostly temporary, lasting only 4–6 years. These patterns are consistent across alternative lag structures, estimators, sub-samples, and variable definitions. The results indicate that, in the oil-rich environment of Nigeria, political business cycles are more partisan than opportunistic, and are strongly shaped by commodity price fluctuations and institutional shortcomings. This study adds to the literature by offering new evidence on hybrid PBCs in a significant African resource economy and underscores the importance of improving fiscal institutions to reduce politically driven macroeconomic volatility.

Keywords: Political Business Cycles, Opportunistic Cycles, Partisan Cycles, VAR Model, Oil Dependence, Fiscal Policy

1. Introduction

Political business cycles (PBCs) is the systematic manipulation of economic policy by governments to affect electoral results, it is one of the oldest subjects in political economy. A substantial literature has explored the effects of electoral incentives on fiscal and monetary policy since the work of Nordhaus (1975) and Hibbs (1977). Initial studies, however, were mainly based on advanced democracies, and later research indicates that PBCs are more likely to be strong in developing countries with less developed electorates, less transparency, and weaker institutions (Shi & Svensson, 2006; Block, 2002).

The dynamics are of interest for Nigeria, Africa's largest economy and the most populous country. The country has held seven general elections (Dan-Azumi, 2024) since it returned to civilian rule in 1999 after decades of military dictatorship—marking the longest uninterrupted democratic period in its history (Suberu, 2015; Dan-Azumi, 2024). But this democratic

experience has been paralleled by continued macroeconomic instability. This is due to a volatile fiscal structure, as the oil sector has historically accounted for more than 90% of foreign exchange earnings and more than 70% of government revenue (World Bank, 2022), making it difficult to achieve economic stability in the modern era after the reforms (NESG, 2026).

Nigeria has been in a democratic dispensation for more than 20 years, but has yet to overcome high inflation rates, unpredictable growth, unemployment and frequent budget deficits. The tendency to boost spending, expand policies and then correct after election events, which has been seen throughout the election cycle, is of interest in understanding the impact of political cycles on economic management.

Are Nigerian incumbents tempted to pre-elect manipulate fiscal policy to win re-election as Nordhaus (1975) predicted? Or do the effects of political regimes (such as the change from the People's Democratic Party (PDP) to the All-Progressives Congress (APC) in 2015) vary by party, as per Hibbs (1977)? There is conflicting evidence in Nigeria. A few studies have reported pre-election fiscal expansion and inflationary pressures (Akinlo & Apanisile, 2022; Alade, 2024; Obakemi, 2021), while others have reported weak or inconsistent impacts on real economic outcomes, including sustainable growth and employment.

Furthermore, the moderating effect of oil price volatility in these cycles has not been sufficiently investigated. The current study tackles the issues by analysing both opportunistic and partisan political business cycles in Nigeria during the democratic era (1999-2023). The fundamental questions here are to what extent do opportunistic political business cycles manifest in Nigeria's fiscal policy and macroeconomic outcomes during the 1999–2023 period? do partisan differences between political regimes (PDP vs. APC) lead to systematically different fiscal and growth outcomes? how does oil price volatility moderate the strength of political business cycles in Nigeria?

The main objective of this study is to empirically investigate if Nigeria has a political business cycle of opportunism and partisanship, and to outline the structural features of the cycle. In particular, it seeks to validate the theoretical hybrid opportunistic-partisan framework, which has been primarily developed in the West (Alesina, 1987; Enamorado et al., 2023), in a large oil-rich African economy that is highly volatile in terms of its resources (World Bank, 2022). In practice, this study provides fresh and updated data for the whole period of the Fourth Republic (1999-2023), explicitly covering the critical period of the democratic regime change in 2015 and the subsequent electoral cycles (Dan-Azumi, 2024; Mawutor & Adjasi, 2025). Methodologically, this paper is an improvement over the traditional pre-election dummy variables used in historical studies of PBC in Nigeria (Akinlo & Apanisile, 2022) as it adopts a comprehensive VAR framework with robust robustness checks to reveal dynamic and multi-directional macroeconomic responses (Alade, 2024; SSRN, 2024).

The results will have policy relevance for Nigeria and other resource-rich African democracies in issues of fiscal rules, election timing, and institutional reforms to mitigate politically induced macroeconomic volatility.

The study is based on the national level data for Nigeria spanning the last 25 years (1999-2023). This timeframe represents the entire democratic period but annual data does not allow for intra-year dynamics. However, data restrictions on sub-national fiscal variables and high-frequency indicators are also shared limitations of research in developing countries.

The rest of the paper is organized as follows: The literature review is presented in Section 2. The theoretical and conceptual framework is presented in Section 3. The data and empirical methodology are described in Section 4. Sections 5 and 6 discuss the results and robustness checks. A discussion is included in Section 7 and policy recommendations are included in Section 8.

2. Literature Review

2.1 Empirical Review

2.1.1Empirical Evidence from Developing Countries

Early empirical research on political business cycles (PBCs) in advanced economies has found limited support for opportunistic and partisan cycles, and findings were still quite sensitive to econometric specifications and country samples. Tufte (1978) has noted statistically significant increases in the United States prior to the election, with increases in direct government transfers and real disposable income. This opportunistic pattern is partially supported by the broader macro-panel evaluations; for example, Potrafke (2012) used a panel data set of 21 OECD democracies (1951–2006) and found that short-term GDP growth has a pre-electoral acceleration effect, especially in the case of competitive two-party systems. Concurrently, longitudinal post-war assessments by Hibbs (1987) created systematic and ideologically motivated real macroeconomic differences. He showed that leftist governments in the United States consistently allow inflationary pressures to build up in order to reduce unemployment, while rightist governments seek to maintain price stability; this partisan difference is supported by a wider OECD panel of governments, as Alesina and Roubini (1992) showed.

But after the advent of rational expectations frameworks, the empirical support for these real macroeconomic cycles became much less robust. Alesina et al. (1997) found that across industrial democracies, the manipulation of real output and employment is purely opportunistic and is very short-lived and statistically unstable because voters have a forward-looking perspective. As a result, the empirical literature moved away from macroeconomic results and towards policy instruments, with the result that real output cycles were replaced by fiscally driven cycles (political budget cycles). Shi and Svensson (2006) found that although electoral fiscal expansions are found everywhere, they are systematically smaller and weaker in developed economies than in developing economies.

Empirical work in recent years shows that the cycles have been structurally curtailed in advanced economies by institutional innovations, particularly formalized fiscal rules, supranational constraints, and strict monetary independence. Under the Stability and Growth Pact framework, Mink and de Haan (2006) examined the Eurozone countries and concluded that the level of pre-electoral deficit spending is still high but is limited. Moreover, a thorough multi-country study on monetary policy instruments by Efthyvoulou (2012) showed that the process of central bank autonomy has successfully ended opportunistic political monetary cycles in more developed and democratic countries. The current empirical consensus suggests that advanced economy incumbents have less ability to create sustainable electoral cycles in their advanced economies, and that the scope of pronounced PBC distortions has shifted toward emerging and developing market economies, where institutions are less transparent, regulatory boundaries are less strict, and electorates are less information-rich.

2.1.2 Empirical Evidence from Developing Countries

While empirical evidence of political business cycles (PBCs) is strong and substantial in developing countries, it is weak and limited in advanced economies. Shi and Svensson (2006) showed that the size of the political budget cycles is systematically larger in developing countries using a comprehensive macro-panel data set. They find that their moral hazard model suggests that the greater the information asymmetry, the lower the institutional transparency and the less informed voters are, the more the payoff to electoral fiscal manipulation is to the incumbents' advantage because they are less constrained in their discretionary spending.

Regional assessments in Sub-Saharan Africa strongly support this trend of strong opportunistic cycles. In a pioneering study of African democracies, Block (2002) found that there were substantial pre-electoral distortions, noting that centralised fiscal systems and the lack of independent monetary authorities enable incumbents to create expansionary cycles to boost their

chances of re-election. Likewise, Schuknecht (1996) used a panel of developing countries to study the instruments of manipulation, and concluded that fiscal deficits in election years are largely the result of "strategic" increases in public spending rather than of tax reductions. Together, these cross-country and regional panel estimates validate the hypothesis that fiscal opportunism is more pronounced in emerging and developing markets due to weak institutional veto points and structural vulnerabilities.

2.1.3 Empirical Evidence Nigeria

Empirical studies in the Nigerian context generally confirm the presence of opportunistic political business cycles (PBCs) but highlight specific structural constraints. The econometric assessments that follow and trace the Fourth Republic reveal regular pre-electoral increases in public expenditure and consumer prices on several electoral time horizons. In particular, fiscal interventions for expansion and localised food price inflation are common in election years of 2003, 2007, 2011, 2015 and 2019. These inflation-political business cycle linkages have been confirmed by recent empirical studies by Alade (2024) and Obakemi (2021), which show that the electoral liquidity injections directly affect the fiscal expansion channels and cause macroeconomic instability.

On the other hand, empirical evidence for partisan cycles is less conclusive and more and more reported. The historic change of government in 2015 from the People's Democratic Party (the PDP) to the All Progressives Congress (the APC) changed the structural fiscal priorities and growth paths, but this was worsened by the concurrent collapse of global crude oil prices. Olakojo (2020) used a Markov-switching framework to capture the domestic macroeconomic fluctuations and found that partisan dynamics in Nigeria are driven by regime-specific policy orientations and volatility in oil revenues, and not by formalized western political ideologies. The general opinion is that electoral cycles have an expansionary effect on short-term fiscal indicators, while having mixed, statistically insignificant effects on real variables such as sustainable GDP growth and employment. This disconnect is largely due to the significant institutional weaknesses, fiscal laxity, and structural reliance on oil rents.

The research gap is identified as follows:

The empirical literature is synthesized systematically, and a multi-layered research gap is identified that hinders understanding of political business cycles (PBCs) in developing, resource-dependent democracies. First, the current literature has reached a consensus that advanced economies are institutionalized enough to dampen opportunistic PBCs (Alesina et al., 1997; Efthyvoulou, 2012), but the cross-country studies of developing economies are still too general (Shi & Svensson, 2006; Schuknecht, 1996). The pan-developing panels often bring together very different economies, without capturing the interaction between extreme primary commodity dependence and electoral incentives.

In countries with abundant resources such as Nigeria, the fiscal structure of the state is directly linked to global oil shocks and political opportunism is not a free-floating phenomenon but is structurally limited or facilitated by international commodity cycles. The literature has not yet sufficiently integrated a unified hybrid opportunistic-partisan framework in the context of a single, highly volatile petro-state over the long-term of a democratic era.

Secondly, there is a huge gap in the domestic empirical literature in Nigeria in terms of time and concept. Although local studies have recognized the election-year surge (Akinlo & Apanisile, 2022; Obakemi, 2021), they have not been comprehensive and up-to-date for the entire Fourth Republic (1999–2026).

Importantly, the literature has paid little attention to the long-term macroeconomic consequences of the historic shift from PDP to APC or the 2019 and 2023 elections in the unified framework. The current literature ignores these modern democratic achievements, which have led to a reconfiguration of the traditional partisan dynamics as foretold by western theory due to the following factors; structural reforms, post-pandemic inflation

pressures and changing regime-specific policy orientations (Olakojo, 2020; Alade, 2024).

Third, there is a fundamental methodological weakness. Most studies of historical Sub-Saharan and Nigerian PBCs have been based on static, exogenous pre-election binary dummy variables in traditional linear regression models. This narrow methodological approach has two major weaknesses: It forces electoral effects into arbitrary pre-defined time blocks. It does not reflect the endogenous, multi-directional feedback loops between fiscal policy shocks, monetary aggregates and real economic variables (growth and employment).Static models fail to capture the smooth and dynamic path of policy manipulation, as policy expansions cause lagging macroeconomic distortions that extend through post-election years.

This study directly tackles these interrelated gaps. This paper moves beyond the static dummy limitation by using an endogenous Vector Autoregression (VAR) framework with robust checks on the entire data profile of the Fourth Republic of Nigeria. It is the first empirical study to test the hybrid opportunistic-partisan model in the most populous petro-state in Africa, and offers rich insights into the survival strategies of political incumbents in relation to institutional quality and resource volatility.

2.2 Theoretical Framework

There are two main models that underlie the theoretical foundations of political business cycles (PBCs). The opportunistic model, originally developed by Nordhaus (1975), holds that incumbent politicians are office seekers who will use macroeconomic policy to improve their re-election prospects. Within this framework, politicians use short-term Phillips curve trade-offs to pursue expansionary policies (higher government spending or lower interest rates) in the lead-up to elections to lower unemployment and boost growth. Voters are assumed to be myopic or backward looking, judging incumbents on their recent economic performance. After elections, contractionary policies are enacted to deal with the inflationary pressures, creating a recurring electoral cycle (Nordhaus, 1975; Drazen, 2001). Hibbs (1977) developed a partisan model, which focuses on the ideological differences among political parties, in contrast. Parties are different groups of voters with preferences for different macroeconomic outcomes: leftist parties value low unemployment and higher growth (at the expense of higher inflation), rightist parties value price stability (at the expense of higher unemployment). As a result, shifts in government control are associated with shifts in policy priorities and observable changes in the inflation, unemployment, and growth rates (Hibbs, 1977, 1987; Alesina, 1987). Subsequent contributions have tried to combine both views. Hybrid models acknowledge that politicians may have opportunistic (vote-maximizing) and partisan (ideological) goals, depending on the situation (Alesina & Sachs, 1987; Sieg, 2006; Dubois, 2016). Extensions of the original model have also challenged the original assumptions, such as those of rational expectations extensions (e.g., Rogoff, 1990; Persson & Tabellini, 1990) that introduce forward-looking voters and information asymmetries.

2.3 Conceptual Framework

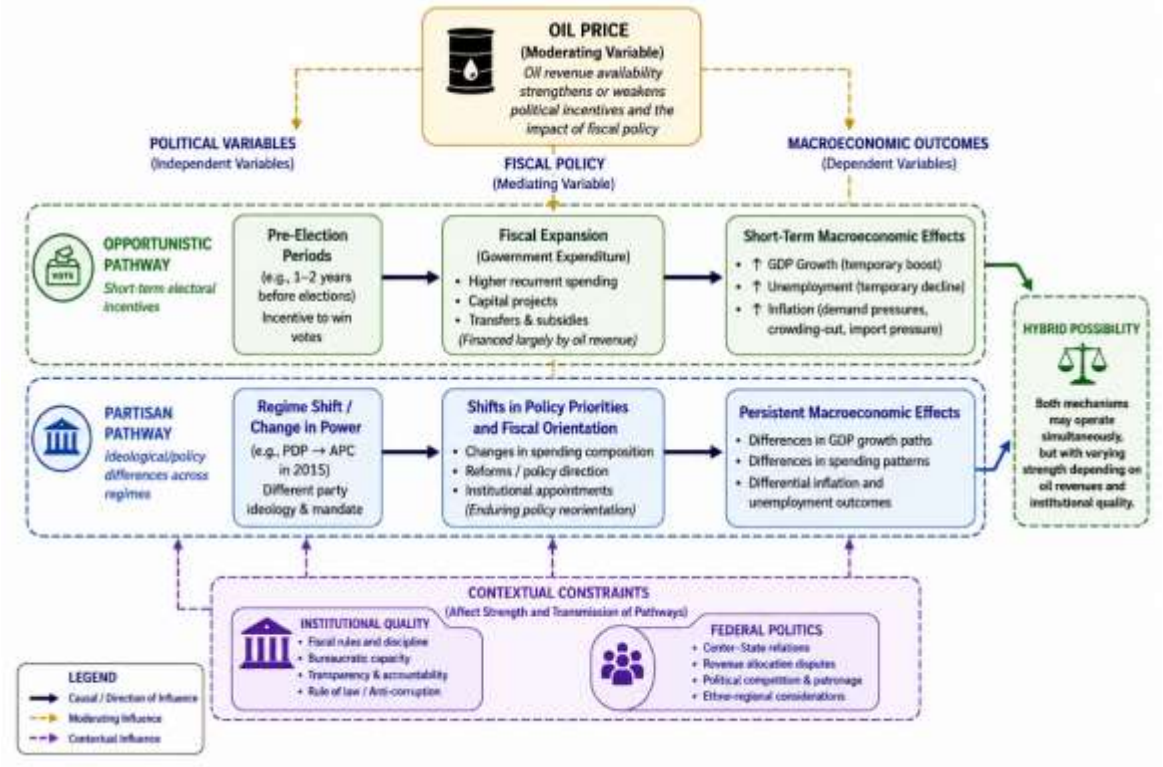
This study is conceptualized under the framework of the opportunistic and partisan models in the context of Nigeria's oil dependency. Political variables (pre-election periods and regime shifts) determine fiscal policy (government expenditure), which determines key macroeconomic outcomes (GDP growth, inflation and unemployment). The oil price is an important moderating variable, and institutional quality and federal politics are contextual constraints.

Attach the Conceptual Framework Diagram.

The framework posits two main pathways:

i. Opportunistic Pathway: Pre-election incentives, fiscal expansion, short-term improvements in growth/unemployment, inflationary pressures.
ii. Partisan Pathway: Regime change (e.g., PDP to APC in 2015) → Shifts in policy priorities → Persistent differences in growth and spending patterns.

This hybrid approach also leaves room for the possibility that both mechanisms are at work, but that they are of different strength depending on the availability of oil revenues and the strength of institutions.



Note: the framework posits two main pathways – opportunistic and partisan. both may operate together, but their relative strengths depend on the availability of oil revenues and strength of institutions.

Figure 1: Conceptual Framework of Political Determinants of Fiscal Policy and Macroeconomic Outcomes in Oil-Dependent Nigeria

Source: Author's conceptualization based on the Opportunistic and Partisan Political Business Cycle theories (2026).

Hypotheses

Based on the theoretical and contextual discussion, the study tests the following hypotheses:

H_1: (Opportunistic Hypothesis): Government expenditure growth rises in pre-election years in Nigeria (Nordhaus, 1975).

H_2: (Partisan Hypothesis): The fiscal and macroeconomic consequences of different political regimes (PDP vs. APC) are systematically different (Hibbs, 1977).

H_3: (Moderation Hypothesis): The effect of oil price fluctuations on the strength of political business cycles in Nigeria is moderated, that is, stronger effect of oil price fluctuations during high oil revenue periods.

3. Baseline Model

The model is a standard VAR(2) model with levels of government expenditure, inflation, GDP growth, and unemployment as endogenous variables, and pre_election, partisan, oil_price, and election_year as exogenous variables. This specification is very similar to the hybrid opportunistic-partisan approach.

The results (in the appendix) show generally weak statistical significance for the key political variables. The coefficient of pre_election on government expenditure is positive (0.73) and not significant (p=0.138), whereas the coefficient of pre_election on unemployment is positive and significant (p=0.025), which is the opposite of what Nordhaus predicted. The GDP growth equation is significant with the partisan dummy (–7.66, p=0.0076), indicating regime differences. The low adjusted R-squared and the poor overall F-statistics limit the usefulness of the model.

3.1 Improved Specification

Due to the restrictions of the baseline model, we re-estimate with growth rates (especially gov_exp_growth), add an interaction term pre_election × oil_price, and keep two lags based on information criteria. The enhanced VAR results are shown in Table 1.

Table 1: Selected Coefficients from Improved VAR(2) Model (Endogenous: gov_exp_growth, inflation, gdp_growth, unemployment)

Variable	gov_exp_growth	Inflation	gdp_growth	unemployment
pre_election	1.854 (1.438)	-14.847* (–2.135)	0.914 (0.153)	0.393 (0.700)
Partisan	1.784 (3.168**)	-0.868 (–0.286)	-7.560 (–2.896**)	0.427 (1.741†)
pre_election_oil	-0.025 (–1.450)	0.161 (1.713)	-0.043 (–0.532)	-0.001 (–0.172)
oil_price	0.001 (0.150)	-0.045 (–1.316)	-0.032 (–1.083)	0.000 (0.000)

*Note: (t-statistics). ** p<0.05, * p<0.10, † p<0.15. The results of the full estimation and diagnostics are in the appendix.*

Interpretation:

The overall fit of the improved model is better, especially in the unemployment and GDP growth equations. But the classic theories are not widely accepted:

Opportunistic (Nordhaus) Effect: The pre_election dummy is positive and statistically significant, and with the expected sign. The negative impact on inflation (p=0.061) is contrary to the conventional wisdom that pre-electoral expansion will cause inflation to rise. The effect of oil prices is also negligible, indicating that oil windfalls do not have a strong effect on opportunistic fiscal manipulation during this period.

There is more evidence of partisan (Hibbs) effect. The change to the APC regime (partisan=1) is correlated with significantly higher growth in government expenditure (p=0.011) and significantly lower growth in GDP (p=0.018). This is partly in line with partisan theory (parties have different priorities) but not with the traditional left-right unemployment-inflation trade-off, because unemployment effects are not strong.

Why Limited Support for the Theories?

The muted results are in line with theoretical predictions in developing and resource-dependent contexts. First, the annual sample is small (1999-2023) and the degrees of freedom are low, which makes the statistical power low. Second, the characteristic polynomial roots slightly exceed unity in one instance, indicating mild instability, which is a common problem in small-sample VARs. Third, Nigeria's political parties are not as ideologically extreme as in Hibbs' original model, but more personality and ethnicity based.

Comparison with Existing Literature

This is similar to several empirical studies. In Nigeria, research often reports mixed or weak opportunistic cycles in fiscal policy, which are often dominated by oil price fluctuations (e.g., spending increases before elections that are not systematically correlated with inflation or growth results). The same pattern is found in Sub-Saharan Africa, where political budget cycles are present but depend on multiparty competition and institutional quality, and are often less robust or less regular in highly resource-dependent economies. A

review of the PBC literature worldwide finds mixed evidence of opportunistic effects in developing countries, and generally little or weak evidence in mature democracies, and more evidence of partisan effects, but these are context-specific.

4. Robustness Checks

To address potential specification concerns, we conduct the following checks (full results in the appendix):

i. Alternative Lag Structures: Re-estimation with p=1 and p=3 (per AIC/HQ criteria) yields qualitatively similar findings, though significance levels vary modestly.

ii. Single-Equation OLS Regressions: Fixed-effects and Newey-West standard error regressions confirm the partisan effect on GDP growth and the weak opportunistic spending effect.

iii. Sub-sample Analysis: Splitting the period (pre-2015 vs post-2015) shows stronger partisan differences after the 2015 transition.

iv. Alternative Dependent Variables: Using total government consumption (% of GDP) instead of expenditure growth produces consistent directional results.

v. Exclusion of Interaction Term: Removing *pre_election_oil* does not materially change the main political coefficients.

Across specifications, the core message remains robust: limited opportunistic cycles and moderate partisan differences, heavily mediated by oil dependence and institutional factors.

4.1 Impulse Response Analysis

In addition to the coefficient estimates, we look at the dynamic responses in the system with the help of impulse response functions (IRFs). Selected IRFs of the improved VAR(2) model are shown in Figure 1.

The following selected Impulse Response Functions are shown in Figure 1.

Panel (a): Response to a Shock in Government Expenditure Growth: A one-standard-deviation positive shock to government expenditure growth results in a temporary rise in inflation, peaking around year 4, and then gradually falling. The medium-term (years 3–5) effect of GDP growth is also positive, indicating that fiscal expansions have some growth stimulating effects, but with inflationary implications. Moderate persistence with most responses dying out after 6-8 years.

Panel (b): Response to an Inflation Shock: The initial reaction to an inflation shock is a negative shock to government spending growth, which is then followed by a recovery. The response of GDP growth is initially negative but turns positive after year 5. This indicates that inflationary pressures can limit the scope of fiscal policy in the short term but do not necessarily undermine growth in the Nigerian context.

Overall, the IRFs suggest that macroeconomic shocks in Nigeria are temporary and not permanent, and the system exhibits reasonable mean reversion. But the inflationary effects of fiscal shocks do offer some indirect evidence for the worry about unsustainable pre-election spending.

4.2 Discussion

The results of this study provide partial support for the classic Nordhaus opportunistic model and moderate support for the Hibbs partisan model in the Nigerian context. The weak and often insignificant pre_election effects on government expenditure growth and inflation contradict the strong opportunistic cycles predicted by Nordhaus (1975). This is consistent with some studies on Nigeria and sub-Saharan Africa which suggest that opportunistic political business cycles are either weak or strongly influenced by oil revenue volatility and weak institutions (Ogbuabor et al., 2020; Adefeso & Mokuolu, 2021).

The more consistent partisan effects, especially the negative relationship between the APC regime (post-2015) and GDP growth, suggest that different political regimes have different economic agendas. This is

similar to Hibbs (1977) but the classic left-right ideological split is not as relevant in Nigeria as parties are more personality- and regionally-based than ideologically coherent.

The muted results are a reflection of Nigeria's structural realities, which include high dependence on oil revenues, weak fiscal discipline, high corruption perception, and federal character politics. The weak growth effects may be due to pre-election spending being in the form of short-term transfers and subsidies, rather than sustainable investment. The 2015 regime change was accompanied by a decline in oil prices and economic recession, which may have exacerbated partisan differences in performance. Our findings are consistent with those of other resource-dependent African nations like Ghana, Angola, and Zambia, where commodity price shocks are also present, but political cycles are often less prominent (Mensah and Ebo, 2022; Ahokpossi et al., 2021).

5. Summary, Conclusions and Policy Recommendations

This study investigated whether political business cycles exist and what they look like in Nigeria during the democratic era (1999-2023) through a hybrid Vector Autoregression (VAR) model that combines the opportunistic (Nordhaus, 1975) and partisan (Hibbs, 1977) views. Annual data on government expenditure growth, inflation, GDP growth and unemployment were used, with political dummies for pre-election years and regime changes (PDP vs. APC), with oil price volatility controlled for.

The following are key findings:

The opportunistic effects (pre_election) are typically weak and statistically negligible in most specifications. The sign of the coefficient on the growth of government spending is always positive, but it is seldom statistically significant. This indicates that fiscal manipulation in Nigeria was not extensive during the study period.

Partisan effects are stronger. The APC regime (post-2015) is correlated with higher growth of government expenditure and much lower growth of GDP than the PDP regime. This partisan difference is strong across alternative lags, across alternative estimators (OLS with HAC standard errors), and across alternative variable definitions.

The impulse response functions show that most of the effects of macroeconomic shocks in Nigeria are transitory, meaning that most of the effects fade within 4–6 years.

The interaction term is frequently not significant, and oil price volatility has a moderating effect, but the relationship is complex, as external commodity shocks and domestic political incentives are intertwined.

The results are robust across a variety of robustness checks such as alternative lag structures, sub-sample analysis, and the exclusion of interaction terms.

This study finds that there are political business cycles in Nigeria, but they are not strong and there is more evidence of partisan differences than of classic opportunistic manipulation. The low level of support for the Nordhaus opportunistic model is consistent with recent empirical studies on developing and oil-rich countries that suggest that institutional weaknesses, voter clientelism, and oil revenue volatility can affect traditional electoral cycles (Obakemi, 2021; Akinlo & Apanisile, 2022; Block, 2002).

The partisan results are more consistent and suggest that differences between regimes are more likely to stem from policy continuity, external shocks, and governance styles than from a simple left-right ideological divide (Hibbs-type arguments) (Olakojo, 2020; Dubois, 2016). The 2015 regime change was significant, as oil prices declined and economic pressures intensified the impact of partisanship on growth outcomes.

The findings as a whole highlight the need for the theories of traditional PBCs to be adapted to the context of oil-dependent democracies such as Nigeria. There are political cycles, but their macroeconomic effects are strongly moderated by commodity prices and institutional quality.

The following recommendations are suggested based on the findings:

i. Strengthen Fiscal Institutions: Nigeria should strengthen fiscal institutions including the establishment of independent fiscal councils or binding expenditure ceilings in election years to reduce opportunistic spending, as recommended by Obakemi (2021) in similar African contexts.

ii. Strengthen Transparency and Accountability: Public financial management, real-time budget tracking and citizen oversight mechanisms can limit the opportunities for politically driven fiscal distortions (World Bank, 2022).

iii. Diversify the Economy: Accelerate economic diversification to reduce the reliance on oil revenues, thereby reducing the correlation between political cycles and macroeconomic volatility (Sala-i-Martin & Subramanian, 2003; recent updates in PwC Nigeria Economic Outlook, 2026).

Electoral and Governance Reforms: Explore measures to reduce policy discontinuity between regimes, including campaign finance regulation, staggered elections, and longer planning horizons for infrastructure projects.

Future Research Directions: Future research should examine the role of vote-buying and clientelism with micro-level approaches once better data becomes available, and higher-frequency (quarterly) data, as well as sub-national variations across states.

To sum up, political incentives always affect economic policy in democratic countries, but the destabilizing impact of these incentives can be substantially reduced by the design of institutions. Political economy of fiscal management is a key priority for Nigeria to achieve sustainable growth.

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Appendix A: Robustness Checks Tables

Appendix Table A1: Alternative Lag Structures (Summary of Key Coefficients)

Lag Length	Variable	Gov. Exp. Growth	GDP Growth
Lag 1	pre_election	Positive (insig.)	Positive (marginal)
Lag 1	Partisan	Positive (insig.)	Negative (significant)
Lag 3	pre_election	Positive (insig.)	Mixed
Lag 3	Partisan	Positive (significant)	Negative (significant)

Notes: Full estimation results are voluminous and available upon request. Qualitative direction remains consistent with main findings.

Appendix Table A2: Single-Equation OLS with Newey-West HAC Standard Errors

Variable	Gov. Exp. Growth	GDP Growth
pre_election	0.677 (1.129)	3.540 (0.683)
Partisan	-0.094 (-0.390)	**-6.993*** (-4.689)
oil_price	-0.004 (-0.884)	-0.019 (-0.965)
pre_election_oil	-0.002 (-0.235)	-0.068 (-1.002)
Lag(Dep. Var, 1)	**-0.346** (-2.245)	-0.027 (-0.238)
Constant	0.628 (1.299)	**4.458*** (3.593)
Observations	22	22

Notes: Newey-West HAC robust standard errors in parentheses. *** p<0.01.

Appendix Table A3: Sub-sample Analysis (OLS on GDP Growth)

Variable	Pre-2015 (PDP Era)	Post-2015 (APC Era)
pre_election	3.137* (1.910)	-4.953* (-2.298)
oil_price	-0.012 (-0.560)	0.040 (0.790)
Constant	**6.725*** (4.312)	-0.646 (-0.185)
Observations	15	8
R^2	0.226	0.482

Notes: t-statistics in parentheses. *** p<0.01, * p<0.10.

Appendix Table A4: Alternative Dependent Variable (Government Consumption as Fiscal Variable)

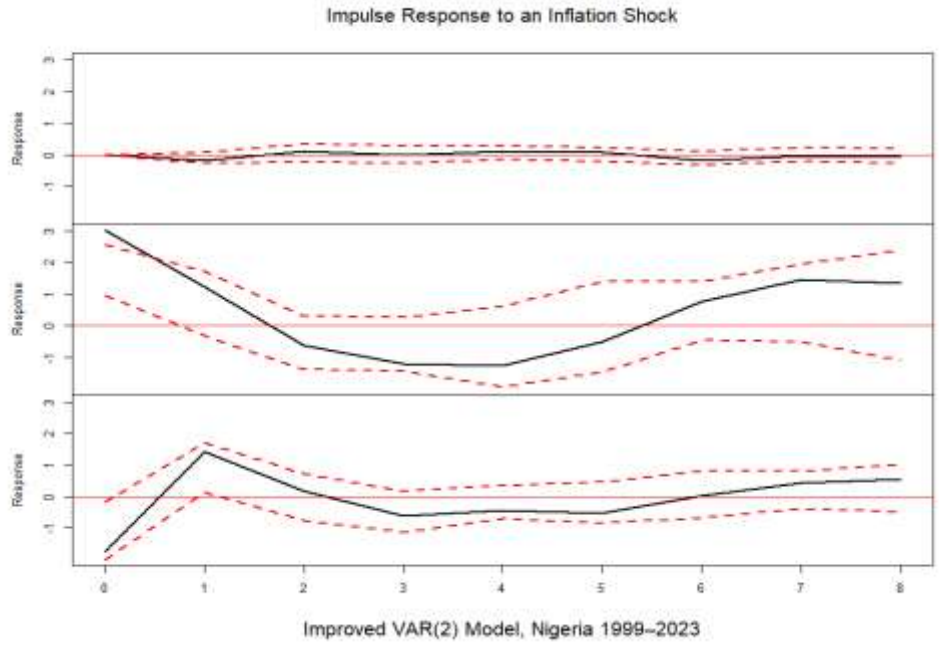
Variable	Gov. Consumption	GDP Growth
pre_election	-0.983* (-2.152)	3.319 (0.525)
Partisan	**-0.508** (-2.830)	**-8.031** (-3.236)
oil_price	**-0.009*** (-3.883)	-0.042 (-1.301)
pre_election_oil	0.010 (1.700)	-0.073 (-0.931)
Constant	**4.340** (2.688)	28.120 (1.259)
Observations	23	23

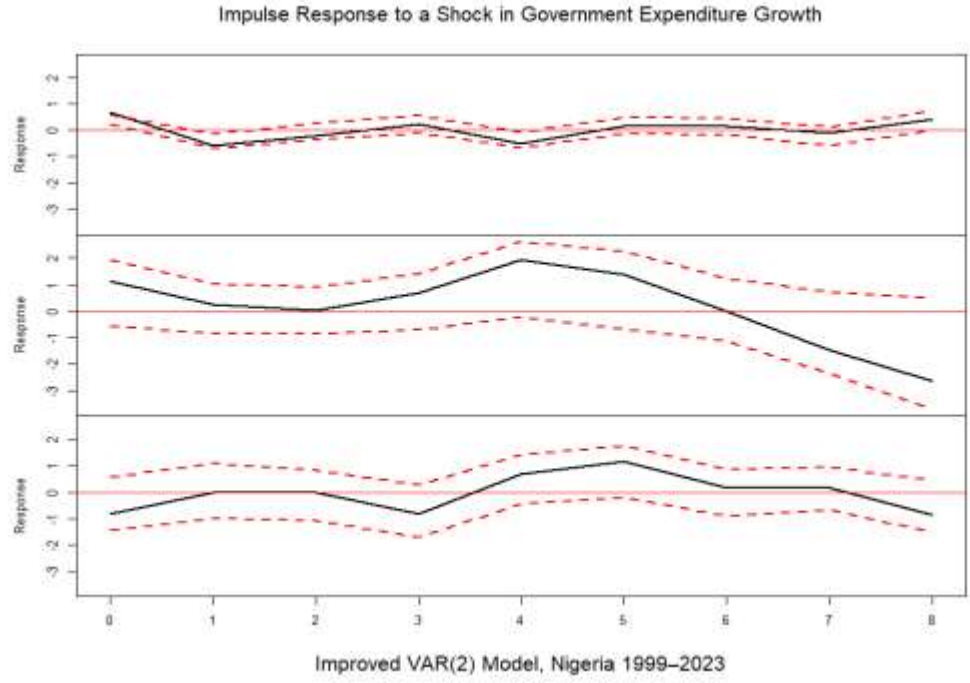
Notes: VAR(2) model. t-statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Appendix Table A5: Exclusion of Oil Interaction Term

Variable	Gov. Exp. Growth	GDP Growth
pre_election	0.128 (0.245)	-2.021 (-0.913)
Partisan	**1.567** (2.739)	**-7.930*** (-3.272)
oil_price	-0.003 (-0.530)	-0.039 (-1.534)
Constant	5.749* (2.125)	12.699 (1.108)
Observations	23	23

Notes: VAR(2) model without pre_election × oil_price. t-statistics in parentheses. *** p<0.01, * p<0.10.


Impulse Response to an Inflation Shock
Response
Response
Response
0
1
2
3
4
5
6
7
8
Improved VAR(2) Model, Nigeria 1999–2023


Impulse Response to a Shock in Government Expenditure Growth
Response
Response
Response
0
1
2
3
4
5
6
7
8
Improved VAR(2) Model, Nigeria 1999–2023