Comparative Study of Resource Control of Nigeria, United States of America and United Kingdom

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Abstract

This study is an assessment of the comparative study of resource control of Nigeria, United States of America and United Kingdom. The study adopted the conceptual review of related literature using the desk top library based methodology to analyse the main content of the study. The information gathered was used to assess the federal system with respect to resource control in Nigeria, United States of America and United Kingdom. The also theoretical link the issues that emanated from the discourse using comparative analysis of the basic ideas from the countries under review. The paper revealed that the importance of ensuring equitable development across the nation must be considered in the government's revenue allocation strategy. The public is interested in development that can be financed by revenue. As a result, regional political leaders need to show greater loyalty to their nation and give up exploiting its resources for their own benefit. The economy of the nation won't be able to expand rapidly till then. The paper recommended that the fact that every one of the federal rules, processes, and laws controlling how public office holders use and distribute federation cash should be designed to ensure that those funds are prudently directed towards the

specific subjects and initiatives for which they have been budgeted is instructive. Eventually, in any attempt to reach a universally recognised revenue allocation formula across the three tiers of government, national interest should supersede individual or primordial interests.

Keywords: Comparative Study, Resource Control, United States of America and United Kingdom, Public and equitable development

Introduction

Within a federal framework, every level of government is granted sufficient authority to carry out its duties without hindrance. The federal, state, and local governments all have different levels of authority in these situations. In industrialised nations like the United States of America, federalism is used to promote cohesive, peaceful political and socioeconomic development. Federalism is basically about government structure, which suggests that there are many tiers of government in a single nation, each with distinct taxation and spending capabilities (Nwosu, 2010; Anam-Ndu, 2007). Because it has led to so many concerns that could endanger the corporate existence and continuation of the Nigerian state, fiscal federalism is one of the most talked-about topics in Nigeria.

The complete disregard of regions where mineral resources are exploited, criticism of the method for coming up with a fair and workable revenue sharing formula, disregard for the tax bases of different states and local governments, and the push for resource control are among the issues arising from the proper application of true federalism. The country's slow economic progress has been explained by these variables. Therefore, the purpose of this article was to investigate the reasons behind the unhappiness and violent agitation that stem from the problems with revenue allocation and fiscal federalism. In order to accomplish this, the study used secondary sources to collect data, adopting the descriptive approach of data analysis.

The Concept of Fiscal Federalism

Elaigwu (2007) stated that in the majority of federal countries, one of the main causes of disputes between the levels of government is the inability of lower levels to secure sufficient funding to carry out their constitutional and political

obligations. Federalism, according to Sagay (2006), is a system in which the federal government and component units of a multi-national nation share jurisdiction so that each unit, including the central authority, functions as a government apart and independently of the others. The unit exercises direct authority over individuals and assets under its jurisdiction, acting on behalf of its apparatus and with the power to decide on some problems at the expense of others.

Conversely, fiscal federalism is concerned with how public sector funds and functions are distributed across the various levels of government (Ozo – Eson, 2005). In carrying out this division, economics highlights the need to concentrate on the requirement for enhancing the public sector's performance and service delivery by guaranteeing a correct alignment of responsibilities and budgetary instrument (Akindele, 2002). The revenue allocation formula, which deals with dividing up federal funds among the several levels of government as well as between state and local governments, is arguably the most significant aspect of fiscal federalism. Actually, the structure for allocating responsibilities and suitable financial tools to the various tiers of government for the performance of these responsibilities is known as fiscal federalism (Mbanefo & Egwakhide, 2009).

On the other hand, according to Akpan (2011), fiscal federalism is a collection of concepts and guiding principles that aid in the development of the financial relationships between the national and local levels of government. It is evident that every federation's unit of government functions as an independent organisation capable of acting on its own initiative without interference from other units of government, rather than as an adjunct of another. The realisation of tax-raising and spending obligations across tiers of government is known as fiscal federalism (Orji & Jaja, 2007). The allocation of public sector money and functions among the various levels of government is the subject of fiscal federalism.

The following, according to Aluko (2004), are the goals of fiscal relations among units in a federation: to guarantee that sub-national expenditure responsibilities and their financial resources (including transfers from central government) correspond so that functions assigned to sub-national government can be effectively carried out; to increase sub-national government autonomy by

incorporating incentives for them to mobilise revenue of their own; to guarantee that the central government's macroeconomic management policies are not undermined or compromised; and to grant sub-national government expenditure discretion in appropriate areas in order to improve public spending efficiency and sub-national officials' accountability to their constituents in the stable non-negotiated criteria; to provide equalization payment to offset the differences in fiscal capacity among states and among local governments to ensure that they can offer sufficient amount of key public services; to incorporate mechanism to support public infrastructural development and its appropriate financing and to be consistent with nationally agreed income distribution goals.

Fiscal Federalism in Nigeria

There needs to be a plan in place for how the state's revenue is distributed among the constituent sections of any federal government. In Nigeria, the politics around resource allocation and control have traditionally been ding-dung affairs. The number of commissions and committees that have been established since the colonial era to manage income concerns demonstrates the significance of fiscal federalism in Nigeria, as the politics around oil money have really polarised the country. The majority of agricultural products, including ground nuts, cotton, palm produce, cocoa, and rubber, were actually ignored when Nigeria shifted from being an agro basis nation to an oil base nation after oil was discovered.

The fundamental issue has remained that, throughout all of this, the fiscal system that might ensure peaceful cohabitation has remained contentious, leading the nation's oil-rich states to demand resource control (Ekpo, 2009).The debate surrounding Nigeria's fiscal federalism, according to Eboh and Igbokwe (2006), goes all the way back to the country's founding. For this reason, the colonial government combined Northern and Southern Nigeria in 1914 primarily to use the surpluses from Southern Nigeria to lower its subsidy on the Northern Nigerian colony. But Nigeria's fiscal federalism history became evident in the 1940s, and since then, nine commissions, six military decrees, one act of parliament, and two rulings by the Supreme Court have been used to define and alter the fiscal relationships between the federation's constituent parts (Egwaikhide, 2008). The federal government has long been charged with taking the "lion's share" of the

vertical allocation for itself and giving the states more authority over constitutional duties. The federal government received 55% of the revenues from the 1981 Act, which was enacted into law and later utilised to allocate funds in 1982, while state and local governments received 35% and 10%, respectively (Emenuga, 2007).

Political analysts think that the federal government's receipt of the majority of the nation's money goes against the advantages of the present global federalism trend. Since state governments cannot be viewed as coordinating entities with the federal government under these arrangements, there is a growing need for the restoration of "true federalism," which was stymied in 1967 when twelve states were created (Ifesinachi, 2007). Furthermore, this large proportion of the federal government's revenue share is the primary cause of corruption, marginalisation, instability, and careless calls for national reorganisation. It also serves as the primary source of injustice (Obi, 2008). The only real principle of federal fiscal operation—the principle of derivation—has been eliminated as a result of the large concentration of federal wealth on the federal government. This is because the principle of derivation takes away a significant portion of the land from which these resources are obtained from the people who own it (Nwosu, 2010).

Nyemutu (2009) noted that the following elements influence how fiscal federalism functions: The obligation for independence: the various levels of government should not only have independent resources, but also sufficient resources to perform their independent duties;

Adequacy and Elasticity:- According to the adequacy principle, a government's resources must be sufficient for it to fulfil its obligations. Elasticity refers to the ability of resources to develop in tandem with the government's quickly expanding requirements and obligations; **Accountability:** the usage of resources created within each level of government should be reported to the relevant legislature;

Uniformity: Every state should have the freedom to create its own sources of income within its borders. Uniformity: Every government in the system should be able to provide an adequate level of public service without having to impose higher tax rates than other states.

Challenges Bedeviling Fiscal Federalism in Nigeria

The following factors explain why the issues of resource control among the three levels of government in Nigeria have not yet been resolved, despite the different revenue commissions that previous administrations offered during the country's pre- and post-independence periods:

(a) Excessive reliance on oil as a source of revenue: The oil boom and Nigeria's dependence solely on oil revenue introduced a new dimension to fiscal federalism and resource management because other sources of revenue were neglected. The centre and federating unite now depend on oil revenue for survival, this has led to laziness on the part of the centre and the federating units with all parties struggling for the oil wind fall money. Internally generated revenue has been low and half-heartedly developed by the units (Okafor, 2017).

(b) Godfatherism and Corruption: While these practices began during the military regime, they intensified throughout Obasanjo's democratic administration from 1999 to 2007. They included cross-carpeting, abuse of power, and open looting of the Treasury. Revenue sharing in Nigeria is severely hampered by the corruption and abuse of power on the part of federal, state, and local government employees. Special funds (from the federation account) intended for the execution of public works projects in both the centres and federating units are diverted into private pockets, which has the unintended consequence of leaving unfinished projects across the nation and underdeveloped states and local government units (Najakkum, 2016).

(c) There are significant regional differences in Nigeria as a result of revenue sharing, which does not take into account income levels, government spending, public services, or levels of development indices.

(d) The failure of the various revenue allocation commissions in Nigeria to quantify some of the suggested principles was caused by a lack of sufficient data regarding the main economic sector.

(e) Political and constitutional changes have motivated the majority of revenue allocations since 1946. Despite the fact that revenue allocation is fundamentally an exercise in allocating cash for economic development, this practice has a tendency to downplay economic factors.

(f) It has long been claimed that Nigerian fiscal federalism is politicised; vertical imbalance results from the federal government's manipulation of allocation to suit its interests (Okafor, 2017).

(g) Imaginary population estimates provided by municipal and state authorities. One of the most contentious topics in Nigerian politics is the population census. This is a result of Nigerians' belief that sharing the nation's cake can only occur in places with a large population. Governments at the state and local levels thus divided up the population count. The population-based revenue-sharing concepts are rendered ineffective by this act.

The Administration of Fiscal Federalism in the United States of America

The first modern federation in history, the United States of America (USA), formed the federal form of government in 1789 following the failure of the Confederal system of government in 1781. Over 130 Native American domestic dependent nations, 50 states, a federal district (Washington, DC), five major territories, a number of minor islands, and numerous municipal governments comprise the federation that was founded with just 13 states. This growth was largely attributed to the expansionist policies of the federation over time. Despite a century of multiple political revolutions and a civil war, the United States of America remains steadfast in its adherence to the federal constitution of 1789, making it the oldest federation in the world (Lockwood, 2013). Therefore, the experience of the United States will be the starting point for any comparative examination of fiscal federalism.

The following objectives guided the adoption of the United States' federal constitution in 1789: Its primary goal is to fix the irregularities in the Articles of Confederation, which will increase the federal government's ability to supervise state government operations. More powers were imposed on the new federal

structure established by the 1789 constitution, including the management of interstate and international trade and the prevention of state competition and conflict in these domains. Second, the constitution seeks to establish a system of checks and balances that will restrict the authority of the new federal government (Lockwood, 2013). The United States is therefore somewhat decentralised in comparison. Every state has a constitution based on republican ideas, and it also has certain rights and authorities under the US constitution, which is the ultimate law of the union.

The rights and powers of the states include: managing elections (the states control most aspects of elections in the United States, such as primaries, voter eligibility, state electoral college operations, etc.);

- Establishing local governments; approving constitutional amendments; overseeing the majority of criminal and civil law enforcement; having jurisdiction over civil law; having the authority to levy taxes and other fees; and managing most domestic functions not related to the regulation of the economy, such as social services, health, education, and environmental protection.
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The Constitutional Amendments: The Bill of Rights 2018: The federal government has the authority to handle crimes against the United States, administer national

defence, control the armed forces, regulate foreign and interstate commerce, discuss and negotiate US treaties, and levy taxes, all as long as it does not discriminate against any state. It is interesting to notice that municipal governments are not mentioned in the US Constitution. The numerous state constitutions address the management of local governments. As a result, the characteristics of the relationships between local and state governments as well as between local governments differ from one state to the next.

Washington's influence over both public and private life has grown over the years. Washington has enforced laws pertaining to access for the disabled, clean air and water, and a number of other social objectives. Additionally, they have developed a number of unfunded federal mandates2 that place a burden on state and local governments. The Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, Medicaid, the Safe Drinking Water Act, the Lead Paint and Asbestos Paint Requirements, the Endangered Species Act, the Regulations Governing the Use of Underground Storage Tanks, the National Conference of State Legislatures (NCSL) recognised 192 unfunded mandates on the states, the Americans Living with Disabilities Act and the Fair Labour Standards Act. The U.S.A Conference of Mayors and Price Waterhouse appraise the cost of these mandates between 1994 and 1998 (with exception of Medicaid) on 314 cities at $54 billion, or the equivalent of 11.7% of all local taxes (Robert, 1994).

Revenue and Expenditure Allocation in the USA

The United States Constitution grants the federal government vast latitude in terms of income collection. The states also have the authority to manage local government taxing powers and to collect revenue through taxes, therefore the federal government is not the only entity with the right to do so. The main revenue streams, including corporation taxes, selective sales taxes, and personal income taxes, are available for use by both levels of government. The tax administration system in the United States of America is decentralised, meaning that every governmental order has its own administrative framework for collecting taxes (Watts, 1999). Oil and natural gas are owned by the state and private individuals who pay taxes to the federal government, according to data from the Office of Natural Resources Revenue, Information and Data Management of the U.S. Department of Interior,

which is relevant to the control of natural resources in the context of fiscal federalism in the USA (Duruibe et al., 2019).

There is no distinction between the federal and state governments' legislative and spending authorities with regard to how funds are allocated. When it comes to spending that is covered by the concurrent prerogative, the two tiers of government are closely related. A larger portion of federal funding goes into state and municipal governments. Despite the tendency for state spending obligations to increase over time, the federal government continues to have a commanding position in terms of public spending in the US. The federal government spends a lot of money in many high growth areas, either in tandem with the states (like health care) or solely in the areas of social security programmes and national defence (Ronald & Marianne 2000). This is in contrast to the majority of state and local expenditure responsibilities, which are in high growth areas like education and health care.

Intergovernmental Transfers in the USA

Intergovernmental transfers are not recognised by the United States Constitution. As a result, agreements that include equalisation schemes or vertical transfers are uncommon. Similarly, the federal government's share of state government revenue is not specified under the constitution. To finance state and municipal governments' transport systems, however, only a small number of federal taxes, such gasoline and airport taxes, have been allocated (USA Constitution, Bill of Rights and all Amendments). This is not to argue that there is no intergovernmental transfer in the United States, given there is any prohibition against it in the country's constitution.

States and local governments have been increasingly dependent on federal transfers to meet their financial responsibilities throughout time, as a result of the federal government's increased ability to raise taxes and spend money. A wide range of governmental activities, including health, social services, education, transportation, environmental protection, and regional development, have been funded in part by federal transfers. Local governments receive a significant portion of federal grants that are transferred from state governments. Furthermore, local

governments can apply for funding from state governments that come from their own resources. These transfers take the form of conditional grants, which specify the goals of the award, such as assisting the states with redistributive policies or the federal government's nationally defined policies, among other things (Ronald & Marianne 2000).

Ronald (1999) distinguished between two types of conditional transfers: categorical transfers, which provide funding for certain designated programmes but restrict programme utilisation, and block transfers, which have fewer restrictions on how state or local governments may use the funds. Wealth is distributed to state and municipal governments through formula-based categorical transfers in accordance with administrative or legislative guidelines established by the federal government. There are two types of formula transfers: closed-ended matching and non-matching grants and open-ended grants with matching criteria. Another variation of category transfer is the project grant, which is awarded to local and state governments based only on their application.

Concern over the concept of financial responsibility in relation to fiscal federalism has been expressed in the United States of America's publications. Political accountability requires that the level of government that sets spending priorities be the same level that generates revenue. Because the executive receiving the funds is directly answerable to a legislature and, consequently, to the electorate, accountability for monies transferred from one level of government to another is encouraged in parliamentary systems (Duruibe et al., 2019). In contrast, the executive branch of government in the United States of America lacks direct accountability to the legislative and the electorate. In order to make up for this lack of accountability at the state level, the conditional transfer is utilised. Given that the federal government is the one who raises the monies being transferred, states must hold the federal government responsible for those funds by establishing guidelines for how the state or local government may use them. As a result, the majority of federal payments given to state and local governments today are subject to conditions. Because states are unable to use these monies for purposes other than those designated by the federal government, this type of system erodes state authority. The intrinsically higher degree of openness offered by conditional grants

compared to certain other federations is one of its benefits (Ronald & Marianne 2000).

Fiscal Federalism in the United Kingdom

The United Kingdom (UK), which is made up of Britain, Scotland, Ridges, and Northern Ireland, may have a parliamentary system of government where a prime minister is appointed every five years to serve as head of state and a lord or monarch as head of state. Additionally, the people elect representatives to their parliaments (MPs) to represent them. The prime minister selects the priests who help form the Cabinet. Despite recent devolution of some powers to Scotland, the Ribs, and Northern Ireland to establish specific governance models, the UK maintains a unified framework of government with control centred at the centre.

The UK parliament transferred certain authority and expertise to the national congregations following the decisions made in Scotland and Ribs in 1997 and in both regions of Ireland in 1998. This situation led to the creation of the Northern Ireland Gathering, the Scottish Parliament, and the National Gathering for Grains in 1999. The Scottish government, which was once known as the Scottish Official, is the government that has declined. The Scottish Government, accountable to the Scottish Parliament, develops and implements policies in the areas of health, equity, education, transport, and local initiatives (Duruibe et al., 2019). The agent organ that enacts legislation on devolved matters is the National Gathering for Grains. The Welsh Gathering Government, accountable to the National Gathering for Ribs, develops and implements policies pertaining to health, education, culture, environmental concerns, financial development, and transportation.

The degenerated government of Northern Ireland is known as the Northern Ireland Official. Its laws cover a wide range of topics, including open security, horticulture, welfare, expression, culture, and social and economic issues. In contrast, the Northern Ireland Gathering deliberates, passes laws, and takes decisions regarding the Northern Ireland government offices. They also take into consideration a proposal for underutilised laws that the Northern Ireland Official Committee presented to them (National Document of the UK Government, 2012).

Fiscal Federalism in the UK

The distribution of responsibilities and authorities between the UK government and the devolved national governments of Wales, Northern Ireland, and Scotland is the main focus of fiscal federalism in the UK. The UK has one of the most centralised political systems in the industrialised world, according to Lockwood (2013). As a result, local governments' ability to manage taxes and expenses is severely constrained, which limits the direction of their policies. The residential property tax, sometimes referred to as the council tax, is the sole local tax that local governments impose, and they are in charge of determining its rate. In 1990, an even business rate was implemented and local business rates were eliminated. As part of the formula-based grant, local governments receive a reallocation of the business rates revenues. It is sufficient to state that local authority taxes in the UK, such as company rates and council taxes, are devolved. The operational framework in the United Kingdom differs significantly from that seen in numerous other nations, where local governments are responsible for a multitude of distinct substantial taxes (Duruibe et al., 2019).

Lockwood (2013) goes on to say that funds from the federal government are a major source of income for local governments. Together, this accounted for 70.5% of council revenue in 2011. Because of this, the local governments in the UK are among those in the Organisation for Economic Co-operation and Development (OECD) that depend most on grants from the central government. In particular, since the Rates Act of 1984 and the 1992 Local Government Finance Act, the central government has had the authority to "rate-capping," or restricts spending by local governments. The Localism Act of 2011 brought an end to the rate capping system and proposed raising local government taxes, subject to a vote being held if the proposed rise is deemed excessive.

Regarding resource control in the UK, the UK Centre for Sustainable Mineral Development states that the state is the only entity with ownership and control over resources such as coal, oil, gas, gold, and silver. The state does not possess any mineral rights in the UK, with the exception of the aforementioned minerals. In the UK, mineral resources are generally privately owned. Details of land surface ownership and any information pertaining to mineral rights can be accessed from

the Land Registry. According to Michael (2015), the UK government is in charge of all national policies that are not under the purview of the national government, such as trade, macroeconomic management, foreign policy, social security, and defence. Government policy in England is also the responsibility of the UK government. Furthermore, with the consent of the devolved government on topics pertaining to devolution, the UK parliament has the authority to enact laws for any region of the country.

Public Expenditure Framework in the United Kingdom

A public expenditures technique called the Barnett Formula has been used by the UK Treasury over the years to automatically adjust the amounts of public expenditure allocated to Northern Ireland, Wales, and Scotland to reflect changes in expenditure allocated to public services in England, England and Wales, or Great Britain, as the case may be. Joel Barnett developed the formula in 1978 while serving as chief secretary to the Treasury, as a temporary remedy to minor cabinet disagreements in the lead-up to planned political devolution in 1979. The formula can only be used for expenditures on things that the devolved administrations are responsible for.

The fundamental idea behind this formula is that any increase or decrease in spending in England will inevitably result in an equal increase or decrease in spending that goes towards the devolved administrations in Scotland, Wales, and Northern Ireland (Duruibe et al., 2019). While not applicable to all expenses, this formula is the most likely choice in the event that no other choice is made. All of the expenditure is allotted, giving each decentralised authority the freedom to distribute the money however it sees fit. When it comes to areas like health and education where funding from central government departments is limited to England, the corresponding funding to the devolved governments consists of a baseline plus increases based on public spending increases in England for similar programmes, applied relative to the current population. This Formula is merely a common practice that the treasury might change arbitrarily; it has neither democratic nor legal support.

The Barnett Formula was abandoned in 2009 by the House of Lords Selected Committee on the Barnett Formula, which instead suggested a new system that distributes funding to the devolved units according to their respective needs. During the September 2014 Scottish independence referendum, the Barnett formula attracted a lot of attention due to worries that the government was using it as a last-ditch attempt to persuade people to vote against Scottish independence by promising to give Scotland more public spending.

The shift towards major fiscal federalism in one region of the United Kingdom is the cause of many of the disputes and anxiety that are observed on both sides of the English and Scottish borders. According to certain political commentators and public sector specialists in the UK, the push for Scottish independence would not have gained such a significant amount of traction if the Labour government had embraced a federal structure for the entire country before 2010.

The Implication of this Study to Nigeria

This study has examined fiscal federalism in Nigeria, the United States, and the United Kingdom thus far, providing insights into some of the notable aspects of fiscal federalism as implemented by these diverse countries. When compared, these three nations have many intriguing parallels as well as different ideologies. For example, the three fiscal federalism systems give the central government additional authority, however how it uses this authority differs from nation to nation. The UK has one of the most centralised political systems in the developed world, whereas the US has a rather decentralised political structure. On the other side, Nigeria's fiscal system is rather centralised, with the powerful federal government controlling a disproportionate amount of the country's GDP.

Each state in the USA has its own constitution, but the US Constitution, which acts as the ultimate law of the Union, also grants some rights and powers to individual states. The majority of U.S. elections, including primaries, voter eligibility, and state electoral colleges, are managed by the states. They also have the authority to establish local governments, ratify constitutional amendments, administer the majority of criminal and civil law proceedings, have jurisdiction over civil law proceedings, levy taxes and other fees, control most domestic functions not related

to economic regulation, such as social services, health, education, and environmental protection, and regulate intrastate commerce.

In Nigeria, on the other hand, state resources and activities are mostly under the control of the federal government. In terms of finances, the majority of money raised by the federal government goes into the Federations Account, which then distributes it based on a certain percentage. The federal government appropriates the largest portion of the total revenue into the Federation Account, leaving state and local governments with meagre portions insufficient to fulfil their assigned duties. Conversely, the UK Treasury has employed the Barnett Formula, a public expenditure mechanism, to automatically modify the sums of public expenditure allotted to Northern Ireland, Wales and Scotland to reflect any adjustments made to the amount of money allotted to public services in England, Wales and England, or Great Britain, as applicable. The formula only applies to expenses related to subjects under the purview of the devolved authorities. The fundamental idea behind this formula is that any increase or decrease in spending in England would inevitably result in a corresponding increase or decrease in spending that goes towards the devolved administrations in Scotland, Wales, and Northern Ireland. Compared to the revenue allocation formulas in Nigeria, which are based on some primitive rather than rational thinking, this system of revenue allocation seems to be very equal.

Under the United States' fiscal federalism, Local governments' administration is a subject of the various state constitutions. The Federal constitution makes no mention of local government. Thus, the nature of the relationship between state and local governments, and among local governments, varies from one state to another. One major advantage of this setting is that it makes government very closer to the people in its true sense. In Nigeria, local governments are recognized by the federal constitution as the third tier of government. The bulk of their revenue comes from the statutory allocation from the federal government. This practice is similar to that obtainable in the UK were local governments depend heavily on grants from central government to run their day-to-day activity. Local governments in the UK have a very limited power in the areas of tax management and expenditure administration which inhibit their policy direction. This contrasts

with Nigeria and USA where local governments have considerable taxes under their jurisdiction.

Furthermore, some forms of conditional transfer exist in Nigeria. A typical example is the Universal Basic Education (UBEC), where the federal government makes 2% of its statutory allocation to states. The USA fiscal system does not recognize intergovernmental transfers. In the same vein, it does not stipulate percentage of federal taxes that should go to state governments. That does not mean to say that intergovernmental transfers do not exist in the USA as nowhere in the constitution was it banned. As a matter of fact, due to the greater revenue-raising and spending power of the US federal government, states and local governments rely greatly on transfers from the Federal government to carryout there financial obligations. A considerable fraction of federal grants are passed on from state governments to local governments as conditional grants which stipulate what the grants should be used for. This kind of arrangement weakens state autonomy as states do not have the discretion to spend these funds on their priority areas other than that stipulated by the federal government. This contrast with Nigeria and UK where the regional governments have the discretion to spend the grants from the centre how it deems fit.

In Nigeria, the legal right to own and control natural resources, including oil and gas, resides with the federal government, whereas in the USA onshore resources ownership normally resides with the states. In the UK, apart from oil, gas, coal, silver and gold which are owned by the central government, all other mineral resources are privately owned. This case of the control of natural resources being vested in the hands of the federal government of Nigeria is the precursor of the agitation for resource control in the Niger Delta region of Nigeria. It is the considered opinion of this study that states should control their natural resources and use same to develop their regions while the remit returns to the Federal government.

This study does not consider it appropriate a situation where resources emanating from one state or region are used to develop another state or region at the detriment of the state that owns the resources. This scenario tends to make some states

unproductive and, thus, make them rely on others states for succour and means of their survival. In Nigeria, states run to Abuja monthly to grab their share of the national wealth even when some of these states contribute little or nothing to the national wealth. One notable, as well as worrisome, case at hand is where tax revenues raised from sales of alcohol from liberal states that permit the sale and intake of alcohol is shared among all states – together with some states that prohibit the sale and intake of alcohol due to religious ideology.

Thus, this study is of the opinion that resource control will encourage every state to improve on their mineral deposits, revenue raising abilities and productive capacity. This study draws its argument from the USA and UK system of natural resource control where state and private ownership of natural resources exist and returns remitted to the central government. This system encourages healthy competition for exploration and development of natural resources among states and regions in the federation which in turn culminate to even and sustainable economic growth and development. Therefore, it is suggestive that Nigeria should take a clue from the USA and UK system of resource control to foster national cohesion and promote sustainable growth and development.

Theoretical Framework

This paper adopted the theory of fiscal federalism, which has basic foundations from the initial theory of Fiscal Federalism laid by Kenneth Arrow, Richard Musgrave and Paul Sadweh Samuelsons' two papers on the theory of public goods. Musgrave's book on public finance provided the framework for what became accepted as the proper role of the state in the economy. The theory was later to be known as "Decentralization Theorem". Within this framework, three roles were identified for the government sector. These were the roles of government in correcting various forms of market failure, ensuring an equitable distribution of income and seeking to maintain stability in the economy at full employment and stable prices. Thus the government was expected to step in where the market mechanism failed due to various types of public goods characteristics. Governments and their officials were seen as the custodians of public interest who would seek to maximize social welfare based on their benevolence or the need to ensure electoral success in democracies.

Each tier of government is seen as seeking to maximize the social welfare of the citizens within its jurisdiction. This multi-layered quest becomes very important where public goods exist, the consumption of which is not national in character, but localized. In such circumstances, local outputs targeted at local demands by respective local jurisdictions clearly provide higher social welfare than the central provision. This principle, which has been formalized into the "Decentralization Theorem" constitutes the basic foundation for what may be referred to as the first generation theory of fiscal decentralization.

The theory focused on situations where different levels of government provided efficient levels of output of public goods "for those goods whose special patterns of benefits were encompassed by the geographical scope of their jurisdictions". Nevertheless, it was also recognized that, given the multiplicity of local public goods with varying geographical patterns of consumption, there was hardly any level of government that could produce a perfect mapping for all public goods. Thus, it was recognized that there would be local public goods with inter-jurisdictional spill-overs. For example, a road may confer public goods characteristics, the benefits of which are enjoyed beyond the local jurisdiction. The local authority may then under-provide for such a good. To avoid this, the theory then resorts to situation whereby the central government is required to provide matching grants to the lower level government so that it can internalize the full benefits.

Based on the preceding, the role of government in maximizing social welfare through public goods provision came to be assigned to the lower tiers of government. The other two roles of income distribution and stabilization were, however, regarded as suitable for the central government. From the foregoing, we can summarize the role assignment which flows from the basic theory of fiscal federalism. The central government is expected to ensure equitable distribution of income, maintain macroeconomic stability and provide public goods that are national in character. Decentralized levels of government on the other hand are expected to concentrate on the provision of local public goods with the central government providing targeted grants in cases where there are jurisdictional spill-overs associated with local public goods.

Once the assignment of roles had been carried out, the next step in the theoretical framework was to determine the appropriate taxing framework. In addressing this tax assignment problem, attention was paid to the need to avoid distortions resulting from decentralized taxation of mobile tax bases. It has been emphasized that the extensive application of non-benefit taxes on mobile factors at decentralized levels of government could result in distortions in the location of economic activity.

Following from the assignment of functions, taxes that matched more effectively the assigned functions were also assigned to the relevant tier or level of government. For example, progressive income tax is suited to the functions of income redistribution and macro-economic stabilization and is therefore assigned to the central government. On the other hand, property taxes and user fees were deemed more appropriate for the local governments. Benefit taxes are also prescribed for decentralized governments based on the conclusion that such taxes promote economic efficiency when dealing with mobile economic units, be they individuals or firms.

The final element of this basic theory that is worthy of note is the need for fiscal equalization. This is in the form of lump sum transfers from the central government to decentralized governments. The arguments for equalization were mainly two. The first which is on efficiency grounds saw equalization as a way of correcting for distorted migration patterns. The second is to provide assistance to poorer regions or jurisdictions.

Musgrave suggests that public economic policy has three main objectives:
- to establish an efficient allocation of resources.
- to attain a desired distribution of income and wealth.
- to maintain high and stable levels of employment and output (stabilization function).

The fiscal federalism theory, just as stated above, aims at figuring out how the responsibility for economic policy, in each of the three functions mentioned above,

is best divided among the various levels of government (local and central) within a federation.

a) The Stabilization Branch: this function entails the maintenance of full employment with stable prices. Oates tries to discern the optimal roles of different levels of government through a simplified federal model where those levels are just two: a central government, entrusted with public matters of national scope, and a local one, which meets local needs. Both units are supposed to possess independent tax and expenditure authority. The crucial point to be investigated is how much a local government can expect to affect its community's level of output and income; the tool used is a local income and payments model.

b) The Distribution Branch: the scope for an active redistributive policy depends critically on the existing degree of mobility of individuals and other economic resources. At local level the obstacles to movements among adjacent communities are not usually very high. So an aggressive redistributive policy by a local government (through, for example, a highly progressive income tax) would lead wealthy people to move to nearby communities with more favourable treatment, thereby preventing the policy to achieve its purpose. Like people, but to an even higher degree, business capital too is very mobile in response to different local fiscal treatments. In conclusion the primary responsibility of implementing redistributive policies should rest with the central government (that can enjoy a much higher degree of immobility of economic resources), while local administrations must rely basically on taxes that do not fall heavily on mobile resources: namely on property and sales taxes.

c) The Allocation Branch: it is in this function that the traditional approach finds the economic case for federalism. There are two basic rationales for the provision of (certain) public goods and services to be placed in the local government's hands. First, the latter is more responsive than the central one to the particular preferences of the community as regards expenditure and revenue policy. Second, the so-called "voting-on-foot", it means that if a consumer is unhappy with the pattern of expenditures and taxation in his community he can move, in a federal system, to another community with a fiscal package better suited to his tastes.

Conclusion and Recommendations

Reexamining the revenue allocation issue is necessary for Nigeria to have sustained development. The government's revenue allocation method needs to take into account how important it is for the country to develop equally. The development that can be funded by revenue interests the public. Because of this, the political leadership of the regions have to be more devoted to their country and cease using regional resources for personal gain. Only then will the country's economy be able to grow quickly.

It is instructive to note that the entire goal of federal standards, procedures, and regulations governing public office holders' use and distribution of federation revenue is to guarantee that said funds are wisely allocated to the particular topics and projects for which they have been budgeted. However, it has long been the practice of Nigerian public office holders to spend public funds irresponsibly, ignoring legal obligations as well as fiscal limits. Nigeria is a resource-rich nation that has the capacity to create new states through viable non-mineral income sources, but the demand for oil wealth has left other viable options mostly unexplored. Ultimately, national interest should take precedence over individual or primal interests in any endeavour to arrive at a generally accepted revenue distribution formula among the three tiers of government.

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