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Globalization, Economic Growth and Development: The Nigerian Experience (1980 - 2003)

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ABSTRACT - From an economic viewpoint, the concept of globalization has created two groups worldwide: the “globaphiles” and “the globaphobes”. The “globaphiles” believe that globalization would make nations attain increased real Gross Domestic Product (RGDP) and real per capita income (RPI) and hence increased standard of living. Conversely, the “globaphobes” take the view that the phenomenon would only make the rich nations richer and the poor ones poorer. Secondary data on some relevant macroeconomic variables were collected from 1980 to 2003. These data were inferentially analyzed to see if the performance of the leading globalization indices like the degree of openness (OPN), real direct investment (RDI), real exports (RXP) and real equity investment (REI) contributed to RGDP and RPI growths and economic development. From the Vector Autoregression (VAR) performed, the results were discussed.

KEYWORDS: Globaphobia, Globaphobes, Globaphiles, Development Index (DI)

INTRODUCTION

A fundamental shift is occurring in the world economy. The world economy is moving progressively away from a world in which national economies were relatively isolated from one another by barriers such as distance, time zones, languages, national differences in governmental regulations, culture and business systems towards a world in which national economies are merging together into an interdependent global economic system. This process is referred to as globalization.

This trend towards a more integrated global economy can be said to have started in the early 1990s. However, the rate at which this shift is occurring has been accelerating recently and it is continuing in the early years of this millennium (Hill, 2001).

The emerging global economy may create opportunities for Nigeria's developing economy. Nigeria was ranked the 19th poorest nation in the world in 1995 with a per capita income of about \$260 which has remained as it was since 1972 compared with Malaysia with a per capita income of \$3,890 and \$980 Indonesia (Nigerian Embassy, 2000).

It has been argued that integration through globalization has ushered economic and social development as has been shown "by unprecedented growth in global output and real per capita income and more generally, by major improvements in human welfare" (Calamitsis, 2001). To the extent that this is true, then one is apt to wonder if the domestic (Nigerian) economy has experienced a measure of growth in output and real per capita income. More importantly, one is inclined to query if these likely growth in output and per capita income have been translated into improvements in human welfare.

This study is therefore embarked upon to evaluate the performances of some macroeconomic variables in the Nigerian economy from 1980 to 2003. Based on the findings from the study, suggestions are made as to the management of the Nigerian economy during the present era of global economic integration so that the macroeconomic objectives of growth development may be realized.

REVIEW OF SOME RELEVANT LITERATURE

The literature review section of this study are divided into two sub-sections: the theoretical framework, globalization, Information Technology (IT), capital flows and economic growth/development.

THE THEORETICAL FRAMEWORK:

Economic exchanges between man and for that matter between nations is as old as time. Trade between nations pre-dated the era of mercantilism (1500 AD – 1600 AD). Apart from stressing inputs self-sufficiency at home (domestically), the mercantilists strategized that:

specie could be acquired with a “favorable” balance of trade, that is, through earning foreign exchange by selling exports that brought in more money than was paid out for imports (Gunderson, 1976).

Later on in the 18th and 19th centuries, theory of trade between nations was dominated by the writings of classical economists like Adam Smith (1723 – 1790) and David Ricardo (1772 – 1823). In their treatises, the virtues of unhindered economic exchanges between the nations of the world were extolled. According to Adam Smith, gains from trade by way of enhanced welfare of the citizens of the two trading nations would occur if a country should specialize in the production of commodities in which it has absolute advantage in cost of production (Dwivedi, 2002). David Ricardo in his own case put it that “the possibility of gainful trade between two countries exists even if one has absolute advantage in the production of both the commodities and the other absolute advantage in the production of both commodities” (Dwivedi, 2002). This in essence is the theory of comparative advantage.

Back then (18th and 19th centuries), there have been arguments against free trade. These arguments are, to mention a few, keep-money-at-home argument, home-market argument, anti-dumping argument, security argument, infant-industry argument, etc. Because of these arguments, governments, depending on their political moods are wont to introduce several protectionist measures in form of tariffs and/or quotas.

In recent times, the arguments have been as vociferous as they were in earlier times. Globophobia (fear of globalization) has caused many anti-globalization movements to spring up around the globe. One of the arguments of the globaphobes (those against globalization) is that most developing economies lack the technological know-how with which to exploit the advantages of openness or access to markets. They therefore reason that globalization would not narrow the income inequality existing between them and the developed economies.

Furthermore, many observers have skeptically viewed globalization for many other reasons. For instance, in the view of Aina (1997:3), globalization is not necessarily the positive happening some authors would have us believe, rather, it is accompanied by economic crises carrying its own basketful of problems, which include problems of economic and social nature, ranging from the collapse of producer prices to increase in unemployment and poverty. The reason for this perception according to Khor(2001:1) includes the lack of tangible benefits to most developing countries from opening their economies, despite the well-publicized claims of export and income gains. The South Centre (1996:49) observed that despite being more intergrated into the world economy than they were previously , African economies under liberalization schemes continue to experience

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marginalization with their levels of per capita GDP being as low as they were in the early 1960s. Viewing this scenario, Agbu (2004) conceptualized globalization to be basically the challenge of surviving in a global world of unbridled greed, propelled by global capital and trade, and advances in new technologies. Aluko (2004) saw the agents of unbridled greed as the triad nations comprising Britain, France and Germany (the European axis); USA and Canada (the North American axis) and Japan (the Pacific Rim axis).

The globaphiles (those in favor of globalization) hold a more sanguine view of the phenomenon in the sense that it provides an opportunity for the developing economies to increase the welfare of their citizens. For instance, Alege and Ogun (2004) have submitted that observers believe that free trade and interaction amongst the nations of the world would push such economies towards higher levels of performance and growth in output. Sachs and Warner (1995) have argued that countries that were open have grown at a rate of 4.5 percent annually in the 1970s and 1980s while those that were closed barely managed to grow at a rate of 0.7 percent. Levine and Renelt (1992); Xavier (1997) confirmed the positive relationship between openness to trade and economic growth. In a study carried out on developing countries Drabek and Laird (1999) submitted that developing countries with progressively more liberal trade policies have growing ratios of trade and inward investment to national income and with higher growth rates.

GLOBALIZATION, INFORMATION TECHNOLOGY (IT), CAPITAL FLOWS AND ECONOMIC GROWTH/DEVELOPMENT

Information Technology (IT) embraces the use of computers and telecommunication technologies for the collection, processing, storage, packaging and dissemination of information and to communicate between the peoples of the world. Information technology can be applied to “business to consumer commerce, business to business commerce and consumer to consumer commerce, and in the process enhance economic development (Olayiwola, 2000). Thus in the information society, production of information goods form the basis of economic activity (Soyibo, 2000).

Information technology may facilitate the integration and development of financial systems. Some literature have argued that there is indeed a strong correlation between capital market development and economic growth. Gelb (1989), Ghani (1992), King and Levine (1993a, 1993b) and De Gregorio and Guidotti (1995) showed that measures of banking development were strongly correlated with economic growth in a broad section of countries.

A stock market that is internationally integrated encourages risk diversification. High return projects tend to be comparatively risky, so stock markets that facilitate risk diversion encourages a shift to higher return projects

thereby engendering economic growth (Obstfeld, 1994). It follows then that a better functioning, more internationally integrated stock market boosts economic growth by shifting society's savings into higher return investments.

Another way by which a well developed and internationally integrated stock market can boost economic growth is through the creation of liquidity (see Levine, 1991; Bencivenga, 1996). As a norm, liquid equity markets make investment less risky and more attractive because they allow savers to acquire an asset-equity and sell it quickly and cheaply if they need access to their savings or want to alter their portfolios. Also, companies enjoy permanent access to capital raised through equity issues. By facilitating longer-term, more profitable investments, liquid markets improve allocation of capital and enhance prospect for long-term economic growth.

There is also a historical support for the argument that a liquid capital market encourages economic growth. Hicks (1969) maintained that new technological invention did not ignite the industrial revolution in England in the eighteenth century. Most of the innovation that characterized the early phase of the industrial revolution had been invented much earlier. More liquid financial markets made it possible to develop projects that required large capital injections for long periods before the projects eventually yielded profits. Without liquid capital markets, savers would have been less willing to invest in large, long-term projects that were the hallmark of the industrial revolution. The industrial revolution therefore had to wait for the financial revolution.

Other gains that may be derived from globalization is in the area Foreign Direct Investment (FDI). Reisen and Soto (2001) have submitted empirical evidence that showed that out of the six types of capital flows (FDI, portfolio or equity flows, portfolio bond flows, long – term bank credit, and official flows), FDI and portfolio equity flows are positively associated with subsequent economic growth through transfer of technology as well as management and organizational skills (see Masson, 2001, Ajayi 2001, World Bank, 2002a).

METHODOLOGY

Secondary data were collected on some macroeconomic variables in the Nigerian economy from 1980 to 2003. These macroeconomic variables are:

- (i) The Nominal Gross Domestic Product (GDP);
- (ii) The Domestic Inflation Rate;
- (iii) The Population;
- (iv) Foreign Direct Investment (FDI) Flows;
- (v) Equity or Portfolio Investment Flows;
- (vi) Exchange Rates of the Nigerian Naira viz a viz the US dollar;
- (vii) Hospitals/Clinics, Schools and Telecommunication figures;

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- (viii) Federal Government Expenditure and Revenue as proxy for fiscal policy;
- (ix) Export flows (manufactured, oil and primary exports); and
- (x) Import flows.

The data were obtained from the following sources:

- (i) Central Bank of Nigeria (CBN) Annual Report and Statement of Accounts – various issues.
- (ii) Central Bank of Nigeria (CBN) Statistical Bulletin – various issues.

The nominal GDP figures were deflated by the price level figures to obtain the real GDP figures. The real GDP were then divided by the population figures to derive the real per capital income figures. The hospitals, schools and telecommunication construction figures were used to construct the weighted Development Index (DI) for the period. The weighted DI is basically an aggregate index of the units of hospitals/clinics, schools, and telecommunication facilities constructed during the study period. It is constructed by the use of a formula of the form:

$$DI = \frac{\sum q_n w_o}{\sum q_o w_o} \times 100$$

where:

DI = Weighted Development Index

$\sum q_n w_o$ = Weighted sum of the units of hospitals/clinics, schools and telecommunications facilities constructed in the given year, n .

$\sum q_o w_o$ = Weighted sum of the units of hospitals/clinics, schools and telecommunications facilities constructed in the base year, o .

Since the data collected on these macroeconomic variables are essentially time series in nature, there is therefore the need to detrend them. This need is borne out of the fact that time series data do not have means which are constant over time (Komolafe, 1996). In other words, a time series data are not usually stationary. In the words of Mills (1990), a series is stationary if its properties are unaffected by a change of time origin; thus implying that the mean and the variance are invariant under time translation”.

In order to determine the integration or stationarity of these variables, the Augmented Dickey - Fuller (ADF) and the Phillips - Perron (PP) unit root tests were performed on them. These tests were required because if a regression was performed on variables with unit roots, such regression would be “spurious” (Granger and Newbold, 1974), “nonsense” (Yule, 1926) or just “dubious” (Phillips, 1987).

After the data on the variables were subjected to the ADF and PP tests, they were fitted into the following econometric models.

$$(1) \quad \text{RGDP} = \alpha_0 + \alpha_1 \text{OPN} + \alpha_2 \text{RDI} + \alpha_3 \text{REI} + \alpha_4 \text{RXP} + \mu_i$$

Where:

RGDP	=	Real Gross National Product.
α_0	=	Intercept term.
α_1	=	Estimator of degree of openness of the Nigerian economy.
OPN	=	Degree of openness variable [RXP + RMP/RGDP and RXP = real exports, RMP = real imports]
α_2	=	Estimator of real Foreign Direct Investment variable.
RDI	=	Real Foreign Direct Investment variable.
α_3	=	Estimator of real Equity Investment variable.
REI	=	Real Equity Investment variable.
α_4	=	Estimator of real Exports variable.
RXP	=	Real Exports variable
μ_i	=	Stochastic disturbance term.

$$(2) \quad \text{RPI} = \beta_0 + \beta_1 \text{RGDP} + \mu_i$$

Where:

RPI	=	Real Per Capita Income [RGDP/P and RGDP = Real Gross Domestic Product and P = population].
β_0	=	Intercept term.
β_1	=	Estimator of Real Gross Domestic Product.
RGDP	=	Real Gross Domestic Product variable.
μ_i	=	Stochastic disturbance term.

$$(3) \quad \text{DI} = \lambda_0 + \lambda_1 \text{RGDP} + \mu_i$$

Where:

DI	=	weighted index of sum of units of hospitals/clinics, schools and telecommunication facilities constructed during the study period (weighted development index)
λ_0	=	Intercept term
λ_1	=	Estimator of the Real Gross Domestic Product Variable.
μ_i	=	Stochastic Disturbance Term.

EMPIRICAL RESULTS

The unit root tests showed that all the variables in models 1,2 and 3 were not stationary in level forms i.e. they possessed unit roots.

Table 1 shows the results of the ADF and PP unit root tests. The Table shows that all the variables achieved stationarity or became integrated after the first differencing. However, DI (weighted development index) became integrated after second differencing.

Vector Autoregression (VAR) was utilized to estimate the models 1 and 2. This estimation approach was adopted because some of the explanatory variables are derivatives of the explained variables. They therefore have attributes of the endogenous variables. The attractiveness of the VAR estimation approach lies in the fact that it side-steps the need for structural modeling by modeling the endogenous variables as a function of their lagged values.

Since only lagged values of the endogenous variables appear on the righthand side of the equations; there is no issue of simultaneity (Ndiyo and Ebong, 2004).

Table 2 shows the VAR estimates of model 1. The model is expressed in linear form because the linear form produced the best estimates. The R^2 and Adjusted R^2 show that the explanatory variables explain almost all the variations in the explained variable (Real Gross Domestic Product or RGDP). A high R^2 should make one to suspect multicollinearity among the explanatory variables but the correlation matrix shows that they are not collinear (see Table 3).

A significant F-Statistic shows that model 1 is quite appropriate. The degree of openness variable (OPN) is not correctly signed in the sense that it bears a negative sign. This is at variance with the a priori expectation. It is also not statistically

Table 1: Results of the Augmented Dickey-Fuller (ADF) and the Phillips Perron (PP) Unit Root tests performed on the Variables in Models 1 and 2.

S/No.	Variable	ADF Statistics	Order of Integration	PP Statistics	Order of Integration
1	RGDP	-4.533*	I(1)	-5.952*	I(1)
2	OPN	-4.537*	I(1)	-7.307*-	I(1)
3	RDI	-4.888*	I(1)	7.877*	I(1)
4	REI	-4.830*	I(1)	-4.847*	I(1)
5	RXP	-5.858*	I(1)	-6.492*	I(1)
6	RPI	-4.413*	I(1)	-5.868*	I(1)
7	DI	-5.280*	I(2)	-3.330*	I(1)

*Significant at 5% level

Source: Computed by Author.

significant. The Real Foreign Direct Investment variable (RDI) is correctly signed but it is not statistically significant. The Real Equity Investment variable (REI) is not correctly signed because it bears a negative sign. It is also not statistically significant. However, the Real Exports variable (RXP) bears a positive sign which is in agreement with the a priori expectation. The variable is statistically significant. The interpretation that can be accorded the estimator attached to this variable is that a one billion naira increase in real export earnings would cause real Gross Domestic Product to increase by about two billion naira.

Table 4 shows the VAR estimates of model 2. This model is expressed in logarithm form because it produced the best estimates. The R^2 and adjusted R^2 show that the explanatory variable explains almost all the variations in the explained variable – Real Per Capita Income variable (RPI). A highly significant F-statistic shows that the model is quite appropriate. The Real Gross Domestic Product

Table 2: Vector Autoregression (VAR) Estimates of Model 1.

Variable		
1.	RGDP (-1)	0.159668 (0.06910) (2.31081)
2.	RGDP (-2)	- 0.049415 (0.06580) (-0.75096)
3.	C	61810.02 (131762) (0.46910)
4.	OPN	- 139000.0 (322212) (-0.43139)
5.	RDI	5.167266 (5.66928) (0.91145)
6.	REI	- 6.755402 (8.25679) (-0.81816)
7.	RXP	2.118918 (0.46163) (4.59003)
*Standard errors and t – statistics in parentheses		
R-Squared		0.991040
Adj. R-squared		0.987456
Sum Sq. resids		8.93E+11
S.E. equation		243992.5
F-statistic		276.5139
Log Likelihood		-299.9114
Akaike AIC		27.90103
Schwarz SC		28.24818
Mean dependent		1538072
S.D dependent		2178489

Source: Computed by Author

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variable (RGDP) is correctly signed as expected and it is also statistically significant. The estimator attached to the RGDP variable means that a one billion naira increase in RGDP would cause RPI to increase by about nine hundred and fifty million naira.

Table 5: Regression Results of Model 3

Table 3: Correlation Matrix of Variables in Model 1.

	RGDP	OPN	RDI	REI	RXP
RGDP					
Pearson Correlation	1.000	.554**	.963**	.653**	.992**
OPN					
Pearson Correlation	.554**	1.000	.581**	.291	.551**
RDI					
Pearson Correlation	.963**	.581**	1.000	.496**	.953**
REI					
Pearson Correlation	.653**	.291	.496*	1.000	.683**
RXP					
Pearson Correlation	.992**	.551**	.953**	.683**	1.000

Note: (i) ** Correlation significant at the 0.01 level (2tailed)
(ii) * Correlation significant at the 0.05 level (2 tailed).

$$\text{Log DI} = 3.939 + 0.004 \text{ Log RGDP}$$

$$\text{SE} = (1.531) (0.026)$$

$$t = (2.572) (0.168)$$

$$R^2 = 0.985$$

$$\text{Adj } R^2 = 0.984$$

$$\text{D.W} = 2.381$$

$$\text{F-value} = 666.831$$

A log functional form was preferred over a linear functional form because it yielded better estimates. However, the Durbin – Watson statistic of 0.535 that appeared with earlier estimates showed that the model suffered from serious serial correlation. In order to correct for this, the model was treated with the Cochrane – Orcutt iteration procedure. After this treatment, the results in Table 5 were obtained.

Table 4: Vector Autoregression (VAR) Estimates of model 2.

Variable		
1.	Log [RPI (-1)]	-0.007634 (0.02404) (-0.31754)
2.	Log [RPI (-2)]	-0.038325 (0.01822) (-2.10370)
3.	C	-3.488250 (0.11113) (-31.3891)
4.	Log (RGDP)	0.946849 (0.01733) (54.6327)
*Standard errors and t – statistics in parentheses		
	R-Squared	0.998700
	Adj. R-squared	0.998483
	Sum Sq. resids	0.086474
	S.E. equation	0.069312
	F-statistic	4609.344
	Log likelihood	29.71184
	Akaike AIC	-2.337440
	Schwarz SC	-2.139069
	Mean dependent	8.248351
	S.D dependent	1.779752

Source: Computed by Author

The R^2 and adjusted R^2 show that the explanatory variable explains almost all the variations in the explained variable (the development index). A highly significant F-statistic shows that the model is quite appropriate. Model does not suffer from serial correlation. The Real Gross Domestic Product variable (RGDP) is correctly signed but it is not statistically significant. The estimator attached to the RGDP has no effect on DI.

DISCUSSION

The empirical evidence from this study has shown that indeed Nigeria has recorded some measure of economic gains during the study period. These gains are in the areas of RGDP growth and RPI growth.

The regression results show that the growth in RGDP is due to growth in RXP. Figure 1 also shows that after years of poor performance of both variables (RXP and RGDP), both started to show improvements from 1990 to 2003 with just some sluggishness recorded in 1998 and 2001. The empirical evidence from the regression and Figure I also shows that the other variables in the model like OPN, RDI and REI which are the standard globalization gains indices did not contribute to the RGDP growth at all.

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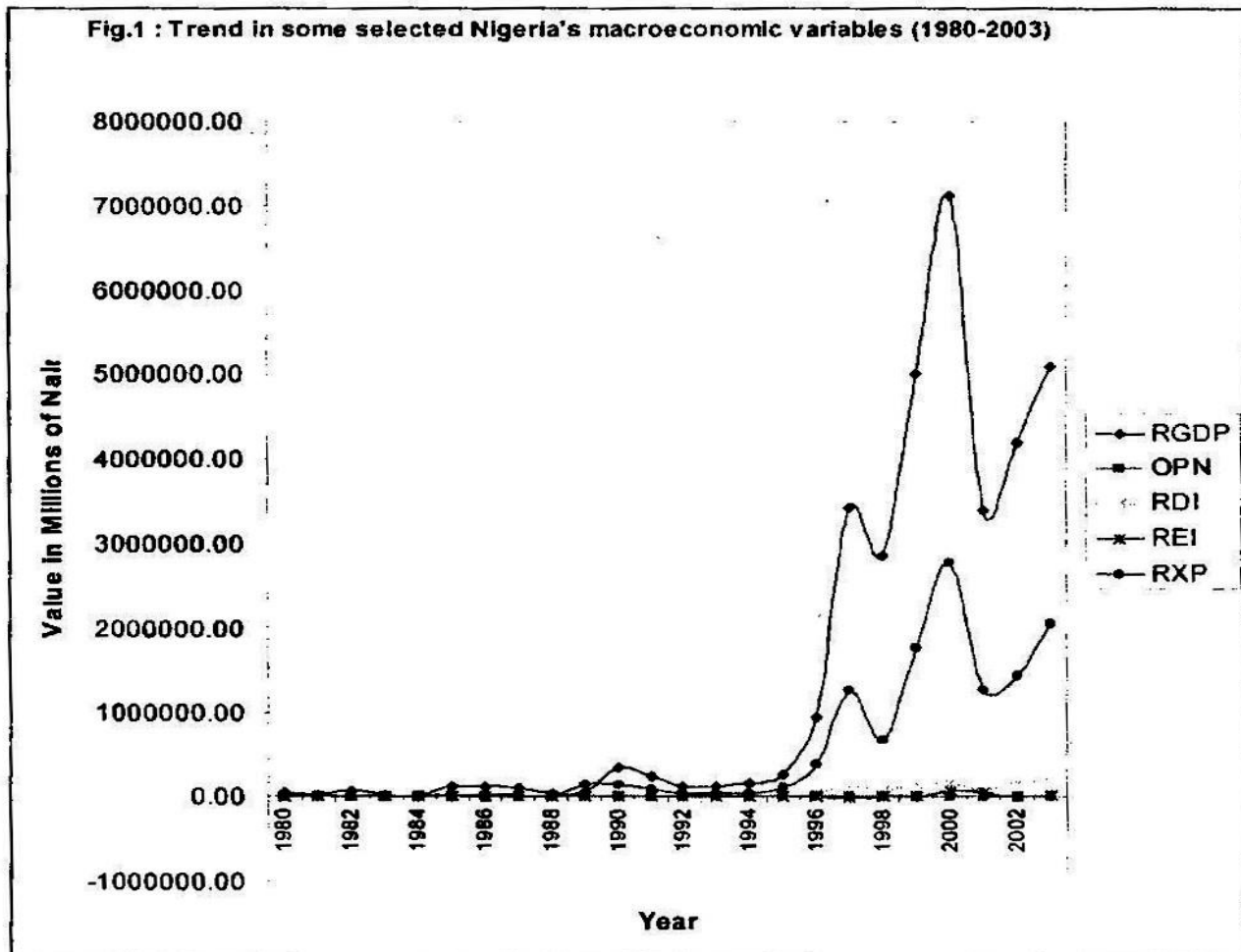
The reason why OPN did not contribute to RGDP growth during the study period was echoed by Sharer (2001) when he put it that:

industrial countries protectionism in agriculture sector is particularly harmful to Africa much of whose export potential is in agricultural products and processing.

He also submitted that “the average tariff of most African counties is 19% which is far too high when compared with the world’s average of 12% (Sharer, 2001).

Concerning RDI, the level of such flows to Sub-Saharan Africa (a region comprising Nigeria and others) has always lagged behind the flows to other regions of the world (Asekunowo, 2002). Indeed, Nigeria has an unstable political climate as characterized by:

- (i) The Ngige/Uba Saga in Anambra State;
- (ii) The inter-ethnic strifes as demonstrated by the perennial armed conflict between the Ijaw and Itsekiri of the South-South geopolitical zone; and
- (iii) The cold war between the legislative and executive arms of the three tiers of government across the country.



These political developments do not send encouraging signals to prospective investors. Other factors that may scare away investors are the state of Nigeria's infrastructural decay and the high rate of illiteracy among its citizenry. According to Lucas (1990), new investment is more productive in countries with a skilled workforce and well developed infrastructure and that is why capital does not flow from rich to poor countries.

With respect to REI, during most of the period from 1980 to 1987 budgetary deficits were recorded in the Nigerian economy. This consequence of this is an increase in the domestic nominal rates of interest. This makes acquisition of domestic firms' equity instruments less desirable for inclusion in the portfolio of investors.

Table 6 shows that from 1988 to 2000, budgetary surpluses were recorded. This in itself alone may not encourage REI flows because throughout the 24 years of the study, the official exchange rate of the naira constantly decreased (see Table 6). One may arguably put it that the decline in the value of the naira stabilized somewhat from 1994 to 1999. But a look at Autonomous Foreign Exchange Market (AFEM) rate showed that the depreciation continued from 1995. This of course had a potential of making instruments denominated in the US dollar or the major currencies more attractive because of the appreciation in their face value. Hence, instead of foreign capital flow into the economy, Nigeria's domestic capital may have gravitated towards the US, Europe or Asia.

When all the foregoing are considered, it can be said that since the RGDP growth was not propelled by OPN, RDI or REI, it was caused by RXP growth. However, it must not go unmentioned that the growth in RXP was not induced by primary or manufactured exports growth but instead it may have been solely crude-oil exports driven.

Empirical evidence has also shown that the growth in RGDP positively affected RPI growth.

Figure 2 shows that RGDP did not grow at all from 1980 to 1989. But from 1990 it started to grow steadily especially from 1995. It showed some dips in 1998 and 2001. Figure 2 also shows that the growth pattern of RPI was similar to that of the RGDP. This hints at a strong possibility that the growth of RGDP flowed into increases in the RPI albeit marginally. Empirical evidence from this study has also strongly suggested that the growth in RGDP did not improve the living standard of an average Nigerian. This may be due either to the fact that the successive Nigerian governments did not have the political will to institute program that would positively affect the living standards of the people or that the institutions are just too weak or corrupt to complement the efforts of a well-meaning government.

Table 6: Nigeria's Total Federal Revenue, Total Federal Recurrent and Capital Expenditure, Deficit/Surplus, Average Official Exchange Rate, Average AFEM Rate (1980 – 2001).

1 Year	2 Total Federal Revenue (Nm)	3 Total Federal Recurrent and Capital Expenditure (Nm)	4 Deficit/ Surplus (Nm)	5 Average Official Exchange Rate (N/\$)	6 Average AFEM Rate (N/\$)
1980	15233.5	26315.1	-11081.6	0.55	NA
1981	13290.5	11410.9	1879.6	0.61	NA
1982	11433.7	12857.5	-1423.8	0.67	NA
1983	10508.7	12086.1	-1577.4	0.72	NA
1984	11253.3	NA	NA	0.77	NA
1985	15050.4	17754.4	-2704	0.89	NA
1986	12595.8	11081.8	1514	2.02	NA
1987	25380.6	155008.4	-129627.8	4.02	NA
1988	27596.7	24297.6	3299.1	4.54	NA
1989	53870	30107.1	23762.90	7.39	NA
1990	98102	39763.6	58338.4	8.04	NA
1991	100992	38666.4	62325.6	9.91	NA
1992	190453	52035.9	138417.1	17.30	NA
1993	192769	112101	80668	22.05	NA
1994	201911	110200	91711	21.89	NA
1995	459987	153496	306491	21.89	81.02
1996	520190	189000	331190	21.89	81.25
1997	582811	276723	306088	21.89	81.65
1998	453609	367917	85692	21.89	83.81
1999	949188	358103.3	591084.7	21.89	92.34
2000	1906160	664735.5	1241424.5	NA	NA
2001	2231533	NA	NA	NA	NA

Sources: a. Columns 1, 2, 4, 5 – CBN Statistical Bulletin, Vol. 12, December 2001.
b. Column 3 – Calculated by Author.

CONCLUDING REMARKS

From this study, the following conclusions could be made:

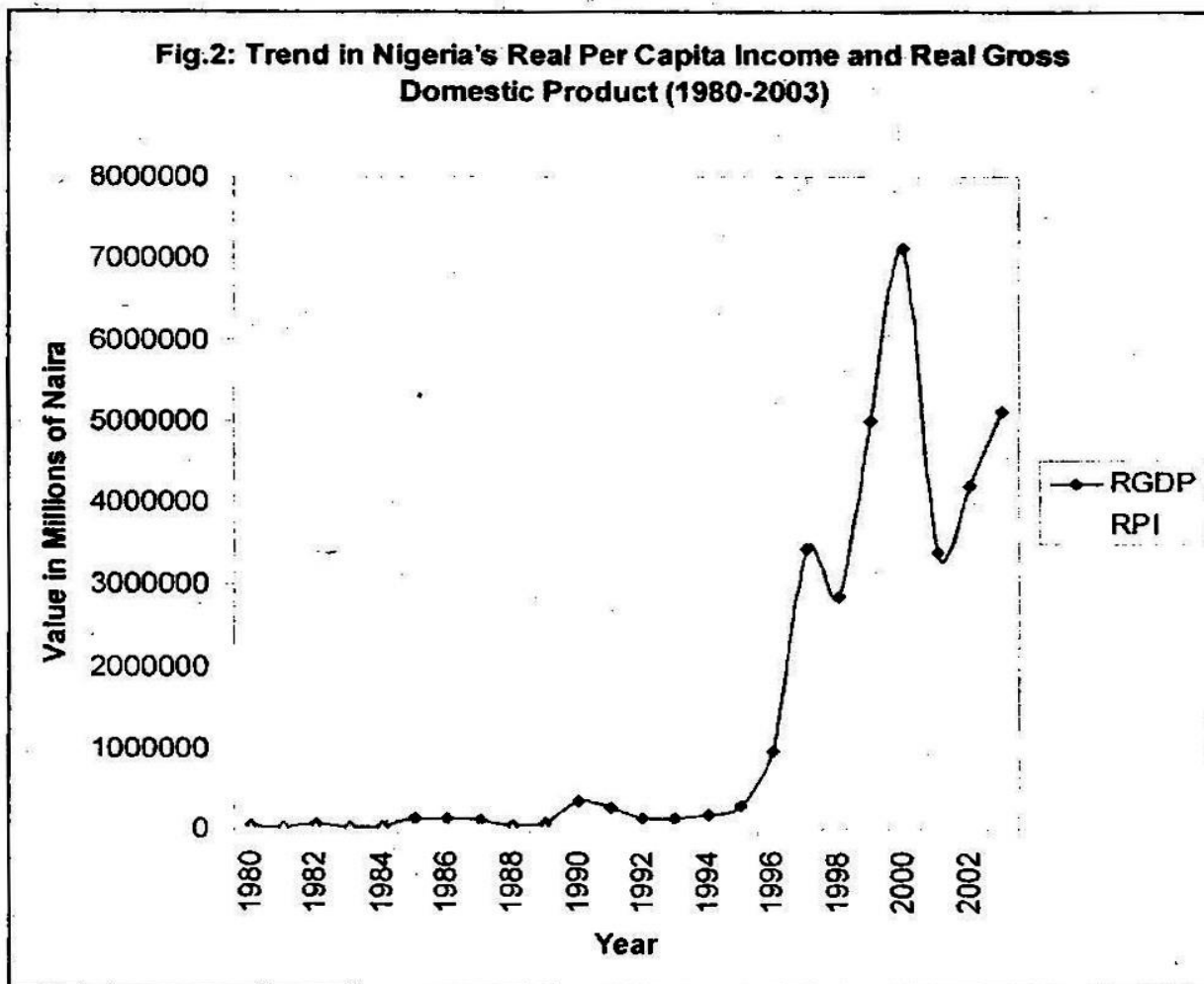
- (i) the Nigerian economy recorded some RGDP growth during the study period. This growth was engendered by growth in RXP and not as a result of growth in the standard globalization gains indices like OPN, RDI or REI;
- (ii) the Nigerian economy also achieved some measure of growth in RPI due to the increase in RGDP; and
- (iii) that the increase in RGDP did not translate into improved living standards of Nigerians.

RECOMMENDATIONS

From the conclusions above, the following recommendations are made:

- (i) that in order for the Nigerian economy to experience more RGDP growth and hence more RPI growth, efforts should be made to improve on the

poor performances of some other macroeconomic variables like the RDI, REI and OPN.



- (ii) that in order to improve on the OPN variable, Nigeria should use its influence in the World Trade Organization (WTO) to achieve this aim. African countries make up 29 percent and Sub-Saharan African countries, 26 percent of the membership in the WTO (Sharer, 2001). This is a substantial bloc whose influence could be used to remove trade barriers that economically hurt these countries. For instance, the protectionism of the industrial countries in agriculture is very much to the detriment of a country like Nigeria that exports primary products;
- (iii) that efforts should be made to attract RDI flows into the country. The observation has been that RDI does not gravitate towards regions with poor infrastructure and unskilled workforce. Since Nigeria is deficient in these areas, it therefore behooves the Nigerian Government to expend more on the construction and/or the rehabilitation of the country's road network, telecommunication system, rail system power generating, transmission and distribution capabilities.

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- Furthermore, Nigeria's education sector must not be neglected. It is a United Nations Education Scientific and Cultural Organization's (UNESCO's) recommendation that at least 26% of member nations' budgetary and actual expenditure should be committed to education. Nigeria being a member nation, is bound by this recommendation. If the Federal Government is fiscally unable to meet this requirement, it could not at least show some seriousness by expending more than the 1% or 2% it presently does on this sector and the nation would be better for it.
- (iv) that in order for the Nigerian economy to attract more REI flows, restrictive fiscal and monetary policies must continue to be pursued. The budgetary deficits from 1980 to 1987 caused domestic nominal rates of interest to increase discouraging foreign acquisition of domestic firms' equity instruments. The fiscal surpluses from 1988 should be sustained to avoid a relapse back to the interest-volatile era. Evidence still shows that there are net capital outflows from the economy due to a constant erosion of the value of the naira due to exchange rate depreciations (see Table 6). This is indicative of the fact that Nigeria's monetary policy is still not restrictive enough and this should be corrected.
- (v) that in order for any growth in RGDP to positively felt by the average Nigerian, the government must demonstrate a political will embark on projects that would really raise the living standards of the people. Such projects include building more hospitals and providing for the existing ones the needed drugs, manpower and state – of - the - art diagnostic equipment , building more schools, constructing new roads and carrying out routine maintenance work on the existing ones and ensuring that electricity and water supplies to the masses are uninterrupted. However, all these must be done in tandem with a complementary role of well functioning institutions. President Obasanjo inauguration of the Independent Corrupt Practices Commission (ICPC) in the ear 2000 and the Economic and Financial Crimes Commission (EFCC) in the year 2002 and the introduction of due process in the award of contracts is a step in the right direction towards Nigeria's economic development.

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APPENDIX I

Table 7: Nigeria's Nominal GDP, Inflation Rate, Price Index, Real GDP, Population, Real Per Capita Income, Total Exports (Oil and Non-Oil), Real Total Exports (1980 – 2003).

1	2	3	4	5	6	7	8	9
Year	Nominal GDP (N bln) (Current Prices)	Inflation Rate (%)	Price Index	Real GDP (Nm)	Population (m)	Real Per Capita Income (N)	Total Exports (Oil and Non-oil) (Nm)	Real Total Exports (Nm)
1980	50848.60	9.90	1.00	50848.60	65.08	781.32	14186.00	14186.00
1981	50749.10	20.90	2.11	24051.80	66.96	359.20	11023.30	5224.30
1982	51709.20	7.70	0.78	66293.80	68.89	962.31	8206.40	10521.00
1983	57142.10	23.20	2.34	24419.70	70.87	344.57	7502.50	3206.20
1984	63608.10	39.60	3.96	16062.70	72.91	220.31	9088.00	2295.00
1985	72355.40	5.50	0.56	129206.10	75.01	1722.52	11720.80	20930.00
1986	73061.90	5.40	0.55	132839.80	77.17	1721.39	8920.50	16219.10
1987	108885.10	10.20	1.03	105713.70	79.40	1331.41	30360.60	29476.30
1988	145243.30	38.30	3.87	37530.60	81.68	459.48	31192.80	8060.20
1989	224796.90	40.90	4.13	54430.20	84.04	647.67	57971.20	14036.60
1990	260636.70	7.50	0.76	342943.00	86.46	3966.49	109886.10	144587.00
1991	324010.00	13.00	1.31	247335.90	88.95	2780.62	121533.70	92774.00
1992	549808.80	44.50	4.49	122451.80	91.51	1338.12	205613.10	45793.60
1993	697090.00	57.20	5.78	120603.80	94.10	1281.66	218765.20	37848.70
1994	914940.00	57.00	5.76	158843.80	96.76	1641.63	206059.20	35774.20
1995	1977740.00	72.80	7.35	269080.30	99.50	2704.32	825669.60	112336.00
1996	2823900.00	29.30	2.96	954020.30	102.32	9323.89	1125691.00	380301.00
1997	2939650.00	8.50	0.86	3418197.70	105.21	32489.29	1091131.40	1268757.40
1998	2881310.00	10.00	1.01	2852782.20	108.19	26368.26	689066.00	682243.60
1999	3352650.00	6.60	0.67	5003955.20	111.22	44991.51	1189005.90	1774635.60
2000	4980943.00	6.90	0.70	7115632.90	114.33	62237.67	1945762.30	2779660.40
2001	5639865.00	16.50	1.67	3377164.70	117.54	28732.05	2117976.06	1268249.10
2002	5454500.00	12.90	1.30	4195769.23	122.20	34335.26	1882668.21	1448206.30
2003	7180140.00	14.00	1.41	5092297.90	125.80	40479.32	2889846.78	2049536.70

Sources: a. Columns 2, 3, and 8 – CBN Statistical Bulletin, Vol. 12, December 2001 and CBN Annual Report and Statement of Accounts, 31st December, 2003.
b. Column 6 – CBN Annual Report and Statement of Accounts, Various Issues.
c. Column 4, 5, 7 and 9 – Calculated by Author.

APPENDIX II

Table 8: Nigeria's Total Imports, Real Total Imports, Real Total Exports + Real Total Imports, Openness, Foreign Direct Investment, Real Foreign Direct Investment, Portfolio or Equity Investment, Real Portfolio or Equity Investment (1980–2003).

1	2	3	4	5	6	7	8	9
Year	Total Imports (Nm)	Real Total Imports (Nm)	Real Total Exports + Real Total Imports (Nm)	Openness	Foreign Direct Investment (Nm)	Real Foreign Direct Investment (Nm)	Portfolio or Equity Investment	Real Portfolio or Equity Investment (Nm)
1980	210.20	210.2	14396.2	0.28	-404.1	-404.10	NA	NA
1981	181.80	86.2	5310.5	0.22	334.7	158.60	NA	NA
1982	225.50	289.1	10810.1	0.16	290.0	371.80	NA	NA
1983	171.60	73.3	3279.5	0.13	264.3	112.90	NA	NA
1984	282.40	71.3	2366.3	0.15	360.4	91.00	NA	NA
1985	299.40	534.6	21464.6	0.17	434.1	775.20	NA	NA
1986	913.90	1661.6	17880.7	0.13	735.8	1337.80	151.60	276.00
1987	13222.40	12837.3	42313.6	0.40	2452.8	2381.40	4353.10	4227.00
1988	0.00	0.00	8060.2	0.21	1718.2	444.00	2611.80	675.00
1989	0.00	0.00	14036.6	0.25	13877.4	3360.10	-1618.80	-392.00
1990	33698.10	44339.6	188926.6	0.55	4686.0	6165.80	-435.20	-573.00
1991	76855.80	58668.5	151442.5	0.61	6916.1	5279.50	-594.90	-454.10
1992	124612.70	27753.4	73547.0	0.60	14463.1	3221.20	36.851.8	8208.00
1993	146955.40	25424.8	63273.5	0.52	29695.2	5137.60	-396.40	-69.00
1994	144723.30	25125.6	60899.8	0.38	22229.2	3859.20	-203.50	-35.30
1995	578491.90	78706.3	191042.3	0.71	75940.8	10332.10	-5785.00	-787.10
1996	449691.10	151922.7	532223.7	0.56	111295.0	37600.00	-12056.60	-4073.20
1997	681723.00	792701.2	2061458.6	0.60	110452.7	128433.4	-4785.80	-5565.00
1998	707515.70	700510.6	1382754.2	0.48	80749.0	79950.00	-637.50	-631.20
1999	793021.50	1183614.2	2958249.8	0.59	92795.3	138500.4	1015.80	1516.10
2000	886547.20	1266496.0	4046156.4	0.57	115955.7	165651.0	51080.70	72972.40
2001	1161029.64	695227.3	1963476.4	0.58	132433.65	79301.60	92518.90	55401.00
2002	1436842.95	1105263.8	2553470.1	0.61	225971.96	173824.58	16149.96	12423.05
2003	1778282.17	1261193.0	3310729.7	0.65	259250.38	183865.52	18996.52	13472.71

Sources: a. Columns 2, , 6 and 8 – CBN Statistical Bulletin, Vol. 12, December 2001 and CBN Annual Report and Statement of Accounts, 31st December 2003.

b. Column 3, 4, 5, 7 and 9 – Calculated by author.

APPENDIX III

Table 9: Some Nigeria's Social Indicators and Development Index (DI) - 1980 to 2003.

1	2	3	4	5	6	7	8	9
Year	Hospitals/ Clinics	Schools (All Levels)	Telecom- munications Facilities	Weighted Hospitals/ Clinics W = .45	Weighted Schools w = .35	Weighted Telecommu- nications w = .20	Total	DI
1980	21	19,493	34,000	9	6823	6800	13632	1
1981	24	21,431	34,263	11	7501	6853	14365	1.05
1982	27	23,369	34,263	12	8179	6853	15044	1.10
1983	30	25,307	72,291	14	8857	14458	23329	1.71
1984	33	27,245	72,292	15	9536	14458	24009	1.76
1985	36	29,183	110,319	16	10214	22064	32294	2.37
1986	39	31,121	148,347	18	10892	29669	40579	2.98
1987	42	33,059	186,375	19	11571	37275	48865	3.58
1988	45	34,997	224,403	20	12249	44881	57150	4.19
1989	48	36,935	262,431	22	12927	52486	65435	4.80
1990	51	38,873	300,459	23	13606	60091	73720	5.41
1991	54	40,811	338,487	24	14284	67697	82005	6.02
1992	57	42,749	376,515	26	14962	75303	90291	6.62
1993	60	44,107	376,515	27	15437	75303	90767	6.66
1994	64	44,433	405,486	29	15552	81097	96678	7.09
1995	184	46,267	405,991	83	16193	81198	97474	7.15
1996	211	48,444	396,962	95	16955	79392	96442	7.07
1997	230	50,382	539,155	104	17634	107831	125569	9.21
1998	276	52,330	604,255	124	18316	120851	139291	10.22
1999	322	54,258	673,137	145	18990	134627	153762	11.28
2000	368	56,196	742,022	166	19669	148404	168239	12.34
2001	414	58,134	810,907	186	20347	162181	182714	13.40
2002	468	56223	883889	211	19678	176778	196667	14.43
2003	529	58939	963439	238	20629	192688	213555	15.67

Sources: (i) Columns 2,3 and 4 – CBN Statistical Bulletin, Volume 12, December, 2001 and CBN Annual report and Statement of Accounts, Various Issues.
(ii) Columns 5, 6, 7, 8 and 9 - computed by author