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# Regime Types And Real Economic Growth: Evidence From Nigeria (1961 – 2009).

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### ABSTRACT

The argument as to the regime type that engenders more real output growth has featured prominently in many academic discourse for many decades now. Empirical submissions from many cross-country studies on this issue have been mixed. This country-specific, inter-temporal comparative study on Nigeria was undertaken to find out which regime type in the country can be adjudged to have recorded more real output growth than the other; and also to identify the macroeconomic variables that may be responsible for this outcome. Secondary data on the macroeconomic variables relevant to the study were collected and inferentially analysed. The Ordinary Least Squares (OLS) regression performed showed that the two regime types in the country did not record any growth in real output (RGDP) during the study period. The regression also showed that Real Gross Fixed Capital Formation (RGFCF) and the Literacy Rate (LTR) positively influenced RGDP growth. The Granger-causality regression performed revealed that there was neither a unidirectional nor a bidirectional (feedback) relationship between Democracy Index (D) and RGDP during the study period. The paper therefore recommended that governments in Nigeria must continue to formulate policies that promote economic democracy and also, interest groups and the civil society must continue to dialogue with governments to improve on spending on education so that RGFCF and LTR can continue to positively contribute to RGDP growth in the country irrespective of the stripe of the regime in power.

Keywords: Democracy, Autocracy, RGDP, Growth, Nigeria, Africa.

# **1.0 INTRODUCTION**

To a keen watcher of events in the then eastern-bloc countries, the fall of the Berlin Wall in 1989 should have served as a harbinger of the impending collapse of the Soviet Union. The collapse eventually came under the leadership of Mikhail Gorbachev in 1991 when Boris Yeltsin and the Presidents of Ukraine and Belorussia (the founding republics of the old union in 1922 and until 1991, its Slavic core) decided to sign a death certificate. The death certificate essentially read that "the Union of Soviet Socialist Republics as a subject of international law and geopolitical reality is ceasing its existence" (Time, 1991).

This development prompted George Walker Bush, the President of the United States of America at that time to proclaim the emergence of a "new world order". Interpreted, the "new world order" meant the globalisation of democratic institutions and values, i.e. the hitherto weak dictatorial or autocratic regimes around the world must put in place mechanisms for the democratisation of their polities or face the prospects and consequences of ostracisation by the West, principally the United States of America.

So, it happened that when the outcome of a presidential election in Nigeria was annulled by General Ibrahim Babangida on 12<sup>th</sup> June, 1993, the country, in the eyes of the West, became an errant state and was hit by a barrage of sanctions. The condemnation of the country became more strident on 10<sup>th</sup> November, 1995 in the wake of the hanging of playwright Ken Saro Wiwa along with some of his fellow Ogoni activists. Nigeria then, under General Sani Abacha, effectively became a pariah state and was promptly suspended from the Commonwealth (a grouping consisting of Great Britain and nations that were once her dominions). More sanctions were contemplated but were never effected owing to a divine intervention in form of the sudden demise of Abacha on 8<sup>th</sup> June, 1998. Fresh elections at the local, state and federal tiers

of government were quickly conducted by Abacha's successor, General Abdulsalami Abubakar, which eventually culminated in the swearing-in on 29<sup>th</sup> May, 1999 of Olusegun Obasanjo as the President of the fourth republic.

When the clarion call by the West for the globalisation of democracy and the embrace of free-market economic system is considered, one is apt to be under the impression that the malaise plaguing many economies around the world could be found in the embrace of free-market economic system. Take a country like Nigeria as an example. Nigeria's per capita GDP in purchasing power parity (PPP) terms, for instance, in 1970 was \$ 1,113 but fell to only \$ 1,084 in 2000 (Weinthal and Luong, 2006). Also, between these two periods, the country's poverty rate "measured by the share of the population subsisting on less than US \$1 a day increased from close to 36 percent to just under 70 percent" (Sala-i- Martin and Subramanian, 2003). Would it not be conceivably right therefore, to speculate that the country's economic problems and that of others in similar situations would disappear with the embrace of a free-market system?

This study is a country-specific approach to a comparative analysis of real economic growth of Nigeria under civilian and military regimes almost right from when she attained independence on 1<sup>st</sup> October, 1960 till December, 2009. The attractiveness of a country specific approach such as the one adopted by this study, lies in the fact that studies that have used cross-country, panel data may have suffered from such issues as omitted variables and other biases. In the words of Ray and Ray (2011), "country specific models have critical importance to shed light on these deviations between those different countries".

It must also be mentioned that the point of departure of the study at hand from the earlier distantly related ones on Nigeria, like for instance, Ekpo and Ndoka (1996) is that it places the performance of the Nigerian economy under civilian and military administrations juxtapositionally during the study period, and in a comparative way, evaluates under which regime more meaningful real economic growth was achieved. This intertemporal approach also identifies some macroeconomic variables responsible for real growth or otherwise under these two types of regimes.

# 2.0 **REVIEW OF LITERATURE**

The review of literature section is divided into two sub-sections i.e. the theoretical review of literature sub-section and the empirical review of literature sub-section.

# 2.1 THEORETICAL REVIEW OF LITERATURE

Many studies have been carried out on the often confusing relationship between democracy and economic growth and many theoretical explanations have been put forth about this relationship. In the main, some explanations suggest that democracy can engender economic growth while some other propositions seem to conclude that the relationship between these two variables runs in the opposite direction. In other words, there can be a bidirectional relationship between these variables.

Given these unclear outcomes, it would seem proper to first explore in a theoretical sense. the suggestion that democracy can engender economic growth and then to also theoretically visit the hypothesis that economic growth can promote democracy. Under the suggestion that democracy promotes economic growth, there are two contending views. The first view suggests that democracy and economic growth are compatible and the second view submits that democracy hinders economic growth (Ray and Ray, 2011). As for the latter, early writings on this view, called the traditional view can be found in Huntington (1968). Huntington argued that democracies have weak and fragile political institutions that lend themselves to popular demands at the expense of profitable investments. Arguing similarly, Sen (1999) put it that democracy, by providing political and civil rights leads to social instability that eventually obscures economic development. Some other studies exist that have also maintained that demands coming from disadvantaged groups for economic redistribution would harm investment, leading to decline in economic growth (Keech, 1995; Persson and Tabellini 1994). In a similar vien, Krueger (1974) and Bhagwati (1982) have submitted that democratic governments are vulnerable to demands for redistribution to lowerincome groups and are surrounded by rent-seekers "directly unproductive, profit - seeking for activities". In this regard, Olson (1982) has identified the problems associated with "rentseeking".

Agreeing with some of these positions, Ray and Ray (2011) later posited that in newly developing democratic countries, citizens demand will rapidly escalate and generate high levels of government spending which may reduce the surplus available for investment with a consequent negative effect on economic growth. This negative effect may even be greater if there is no surplus and the pressing demands by the electorate may force the government to borrow in order to prosecute needed spending on public programmes. Adding another factor, Quinn and Woolley (2001) have also cautioned on the effects of making economic compromises in return for short-term electoral benefits. These are the conflict view of the nexus between democracy and economic growth. The assumptions of the conflict view, according to Sirowy and Inkeles (1990), can be refuted with good reasons and other proponents of democracy have argued that rulers are potential (Harington, 1656) and democratic looters institutions can act to constrain them (North, 1990).

As for former position which argues that there is compatibility between democracy and economic growth under the traditional view, there exist multiple causal paths that can explain this relationship. In the literature, the factor often cited is that political freedom guarantees property rights and market competition (Leblang, 1996 and Riker and Weimer, 1993). Pastor and Sung (1995) have also argued that the better protection of property rights encourage the private investor to invest more. Relatedly, studies by Barro (1991) and Ozler and Rodrick (1992) suggested that civil liberties are conducive to growth and capital accumulation. They further maintained that there are indeed more aspects of democracies that are pro-growth. For instance, by its nature, it may be relatively difficult for democracies to run budgetary deficits because no matter the level of popularity of a democratic leader, his budgetary proposals are usually challenged and sometimes do get defeated by his partisan or bi-partisan foes in the legislature. Bhagwati (1995) and Rodrick (2000) have submitted that participatory democracies facilitate a higher quality growth by allowing greater predictability and stability in the long-run and by being stronger against exterior upsets and by delivering better distributions, provide higher quality growth. Furthermore, Bhagwati (1995) argued that democracies rarely engage in military conflicts with one another and this promotes world peace and economic growth and more likely to provide less volatile economic performance.

Out of the traditional views on the nexus between economic growth and democracy, a socalled skeptical view argued that it is the institutional structure and organisation rather than regimes that matter for growth. This is because pro-growth governmental policies can be instituted in either a democratic or authoritarian regime; since a sound leadership that will resolve collective action problems and be responsive to rapidly changing technical and market condition is essential for growth (Bardhan, 1993), it follows therefore that markets can deliver growth under both democratic and authoritarian regimes (Bhagwati, 1995).

There is yet a more contemporary view in the democracy-growth debate. Theory has now moved away from the traditional conflict and skeptical views. Researchers have now separated economic democracy from political democracy. Factors such as protection of property rights, business, credit and labour market regulations which were previously attributed to political democracy are now being treated as part of economic democracy. Gwartney and Lawson (2003) and O'Driscoll et al. (2003) have shown that economic freedom is relevant to growth. This though should not be construed to mean that economic democracy is totally divorced from political democracy. For instance, Doucouliagos and Ulubasoglu (2006) have empirically shown that particular aspect of economic democracy. Also, many studies have found that political democracy has enormous indirect effects on growth through human capital accumulation; income distribution and political stability (see Baum and Lake, 2003; and Alesina et al., 1996).

What does the literature say about the relationship between autocracy and economic growth? O'Donnell (1973) put it that in many nations, especially Latin American ones, economic growth can be achieved under autocratic regimes that may have a penchant for behaving like developmental and benevolent dictators. In this regard, Chile under Pinochet from 1973 to 1989 and Brazil in the 1960s readily come to mind. observed that the Fields (1994)newlv industrialising economies (NIES) of East Asia grew at rapid rates in the 1980s. He further noted that these "four dragons" were not polities that were democratic by western standards and therefore concluded that when economic growth is discussed in countries with dictatorial regimes, a distinction must be made between dictatorships that are truly kleptocratic (common in Africa and some Latin American countries) that maximise personal wealth ( i.e non-developmental and nonbenevolent dictators as the cases of Haiti under the Duvaliers from 1957 to 1986 and Nicaragua under Somoza from 1936 to 1979 have clearly shown) and those that grant of fair amount of individual, especially economic rights to their citizens and strive to maximise the welfare of their citizens by behaving like developmental and benevolent dictators as the four dragons of East Asia (

Fujimori's Peru from 1990-2007 and Pinochet's Chile of 1973 to 1989 ) showed. Mahmood et al. (2010) have submitted that this outcome is possible because the opponents of democracy have argued that authoritarian regimes curb conflicts, discourage uneven national income movement (distribution) and when necessary, implement coercive measures, for rapid economic growth.

However, Bueno de Mesquita et al. (2001) and Olson (1993) have submitted that autocratic regimes may not be conducive to long-run economic growth since they carry elements of arbitrariness in the sense that ruling autocrats as a norm operate in political arenas where their actions are not subjected to the principles of checks and balances. For instance, it is quite easy for dictatorships to run budgetary deficits because more often than not, most of them operate in political environments filled with weakened and cowered opponents that usually are too scared to antagonise the fiscal indiscipline in the dictators' budgetary proposals.

So, given the arguments for and against democratic and autocratic regimes, can it be categorically said that one promotes economic growth more than the other? It so happens that both democrats and autocrats have their own constituencies and in order to please these constituencies, may make bad polices. Ames (1987) submitted that both have a penchant for making sub-optimal policies in an attempt to placate their constituencies, e.g. dictators need to please various constituencies in the armed forces to avoid being overthrown. It must not go unsaid that Democrats too must appease though. constituencies that promote their electoral gains and legislative interests. It is therefore quite difficult to unequivocally say that democracy is more pro-economic growth than a dictatorship or vice versa.

# 2.2 EMPIRICAL REVIEW OF LITERATURE

In conducting the empirical review of literature on the nexus between democracy and economic growth, studies carried out on developing countries were widely consulted. Most of these studies seemed to conclude that a positive relationship exists between democracy and economic growth.

Narayan et al. (2007) in testing for the Lipset (1959) hypothesis which suggests that changes as a result of economic development lead to many social changes and political transition which eventually lead to democracy, compatibility and conflict hypotheses in 30 sub-Sahara African countries, found that in the long-run, real GDP Granger – caused democracy and an increase in GDP resulted in an improvement in democracy in Botswana, Niger, Chad, Cote d' Ivoire and Gabon, thereby supporting the Lipset hypothesis. Also, their findings showed that in the long-run, democracy Granger – caused real income and an increase in democracy has a positive effect on real income in Botswana, Madagascar, Rwanda, South Africa and Swaziland. Furthermore, their findings revealed that in the long-run, democracy Grangercaused real income and an increase in democracy has a negative effect on real income in only Gabon thereby supporting the conflict hypothesis.

In challenging the consensus of an relationship political inconclusive between democracy and economic growth, Doucouliagos and Ulubasoglu (2006) applied meta-regression analysis to the population of 470 estimates derived papers on the democracy-growth from 81 association. They concluded that democracy has no direct effect on economic growth. However, they observed a robust and significant effect of democracy on growth which was consistent with prior findings that democracies are associated with higher human capital accumulation, lower inflation, lower political instability and higher Furthermore, their study economic freedom. revealed the existence of country-specific and region-specific democracy-growth effect in the sense that the growth effect of democracy is higher in Latin America and lower in Asia.

Mahmood et al. (2010) have also sought to determine the true relationship between democracy and economic growth in Pakistan. Using Autoregressive Distributive Lag (ARDL) Model on data collected on the country, they found that democracy played a noteworthy task in the game of economic prosperity in Pakistan.

Ray and Ray (2011) examined the longrun relationship between democracy and economic growth via GDP growth for India at regional and national levels. They utilised Vector Error Correction Model to test the nature of causality between growth and democracy and also used a cointegration model to examine the relationship between economic growth and democracy. The empirical results obtained suggest that long-run bidirectional causality between economic growth and democracy exist in India.

ng for the However, Barro (1996) analysed panel ggests that data on about 100 countries from 1960-1990. Holding rule of law, free markets, small government consumption, high human capital and real per capita income constant, he found that the overall effect of democracy on growth is weakly negative. Based on this, he then suggested that **VOLUME 5, NUMBER 1, JUNE 2012**  there may be a nonlinear relationship in which more democracy enhances growth at low levels of political freedom but that political freedom depresses growth when a moderate level of freedom has already been attained.

The submissions of the literature available on autocracy and growth are also mixed at best. Easterly (2011) has submitted that the general result in the empirical growth literature is that there is no robust effect either way of autocracy on growth. At the same time, he acknowledged the existence of a robust stylised fact that very high growth occurs principally among autocracies and not among democracies; although the variance of growth is higher under autocracies than under democracies (see for instance Acemoglu et al., 2003; Mubarak, 2005 and Yang, 2008). Some authors have ascribed this high variance to the volatility in the economic outcomes under autocracy and have also associated it with the big gamble in autocracy that could produce a looter like Zaire Republic's Mobutu or a developmental leader like Lee Kuan Yew of the Republic of Singapore.

#### 3.0 METHODOLOGY

Secondary data were collected on the macroeconomic variables that are relevant to the study in the Nigerian economy from 1961 to 2009. The year of independence (1960) was not included in the study period because data on some of the crucial macroeconomic variables were not available. These variables are the nominal Gross Domestic Product (GDP), inflation rates (INF), nominal Domestic Deficits (DD), nominal Gross Fixed Capital Formation (GFCF) and Literacy Rates (LTR). The data on these variables are expressed in annual terms. The Democracy index (D) variable is a qualitative variable that can have an affirmation of democratic activities like conduct of regular elections, formation of political parties and existence of civil liberties and civil societies attached to it or not. The sources of the nonqualitative or quantitative data are the 2008 and 2009 issues of Central Bank of Nigeria (CBN) Statistical Bulletin and the 1994-2009 issues of Central Bank of Nigeria (CBN) Annual Report and Statement of Accounts.

The inflation rates were used to construct a price index. The price index was used to divide the nominal GDP to get the real GDP (RGDP). The price index was also used to divide the nominal DD and nominal GFCF to get the Real Domestic Deficits (RDD) and Real Gross Fixed Capital Formation (RGFCF) respectively. The relevant macroeconomic variables used for the study thus became: RGDP, Price Index (PI), RDD, RGFCF, LTR and Democracy Index (D).

In order to determine the performance of RGDP during the democratic and military years and also in order to have economic explanations for the outcomes, data on the relevant macroeconomic variables were fitted into an analysis-of-covariance (ACOV) econometric model of the form:

 $RGDP = \lambda_0 + \lambda_1 D - \lambda_2 PI - \lambda_3 RDD + \lambda_4 RGFCF + \lambda_5 LTR + U_i \dots$ ......(1)

Where:

*RGDP* = Real Gross Domestic Product

 $\lambda_0 =$  Intercept Term

 $\lambda_1$  = Estimator of Democracy Index Variable.

D = A qualitative or binary variable with 0 for the military years and 1 for the democratic years. From this variable, the mean *RGDP* under military regimes

i.e.  $E(RGDP_i/X_i, D_i = 0) = \lambda_o + \beta X_i$  with  $X_i$ denoting all the other explanatory variables and the mean RGDP under democratic regimes i.e. $E(RGDP_i/X_i, D_i = 1) = (\lambda_0 + \lambda_1) + \beta X_i$ can be derived. The intercept term,  $\lambda_{0i}$  gives the

can be derived. The intercept term,  $\lambda_0$ , gives the mean RGDP under military regimes and the slope coefficient  $\lambda_1$ , tells by how much the mean RGDP under democratic regimes differs from the mean RGDP under military regimes. Thus,  $(\lambda_0 + \lambda_1)$  indicate the mean under democratic regimes.

 $\lambda_2$  = Estimator of the Price Index Variable.

PI = Price Index Variable (proxy for monetary policy).

 $\lambda_3$  = Estimator of RDD Variable.

RDD = Real Domestic Deficit Variable (proxy for fiscal policy).

 $\lambda_4$  = Estimator of the RGFCF Variable.

RGFCF = Real Gross Fixed Capital Formation Variable (proxy for capital accumulation).

 $\lambda_5 = \text{Estimator LTR Variable.}$ 

LTR = Literacy Rate Variable (proxy for human capital development or education).

 $U_i$  = Stochastic Disturbance Term.

### 3.1 ECONOMETRIC FRAMEWORK

The estimators in the regression model were derived by performing Ordinary Least Squares (OLS) regression on RGDP over the independent variables in the model. The data utilised in these regression were majorly of time series origin; so by

their nature, they may trend in which case, their means become variant under time translations. In other words, they may be non-stationary or have unit roots. There was therefore an attempt to detrend them as running regressions with nonstationary data may lead to regressions that are variously called "spurious" (Granger and Newbold, 1974) or "dubious" (Phillips, 1987). As a way of side-stepping this problem, data on the variables in the regression model were subjected to the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) unit root tests for the determination of their order of integration.

Also, in order to demonstrate that a longrun relationship exists between the variables, cointegration tests were performed to determine the number of cointegrating vectors. Johansen (1988, 1991) and Johansen Juselius (1990) suggested two statistic tests. The first is the trace test and the second is the maximal eigenvalue test. Both were utilised in determining the number of cointegrating vectors.

Next, the Granger-causality test between D and RGDP was performed. Some strands of literature have suggested the existence of a bidirectional or feedback relationship between D and RGDP. In other words, it is quite conceivable that D may cause RGDP growth and vice versa. So, the likely existence of high interdependence macroeconomic between these indicators suggested the use of interactive model of Grangercausality regression type. According to Granger (1969,1980), causality is about, for instance, whether past changes in D can explain current changes in RGDP over and above the explanation provided by past changes in RGDP. If this happens, then it can be concluded that D Grangercauses RGDP. To ascertain if causality runs from RGDP to D, then the experiment should be repeated with D and RGDP interchanged.

# 4.0 FINDINGS

The unit root tests showed that all the variables in the model except PI were not stationary in level forms i.e. RGDP, D, RDD, RGFCF and LTR possessed unit roots but PI did not. However, it must be noted that RDD had a mixed unit root test results in the sense that one test showed that it was not stationary at level form while another test showed that it was.

 Table 1: Results of the Augmented Dickey-Fuller (ADF) and the Phillips-Perron (PP) unit root tests performed on the Variables in the Regression Model.

S/N	Variable	ADF Statistics	Order of	<b>PP</b> Statistics	Order of
			Integration		Integration
1.	RGDP	-6.83	I (1)	-7.40	I (1)
2.	D	-4.64	I (1)	-6.71	I (1)
3.	PI	-3.70	I (0)	-3.51	I (0)
4.	RDD	-6.75	I (1)	-3.35	I (0)
5.	RGFCF	-7.66	I (1)	-8.40	I (1)
6.	LTR	-4.76	I (1)	-7.22	I (1)

ADF critical value = -2.93

PP critical value = -2.92

Source: Computed by Author.

Table 1 shows the ADF and PP unit root tests results The ADF tests showed that except for PI, all the other variables were not stationary and had to be differenced once before becoming integrated. The PP tests showed that except for PI and RDD all other variables possessed unit roots and also had to be differenced once before achieving stationary.

# Table 2: Johansen Cointegration Procedure Results for Variables in the Regression Model.

Sample: 1961 – 2009 Included Observations: 47 Test Assumption: Linear Deterministic Trend in the Data Series: RGDP D PI RDD RGFCF LTR

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S/N	Eigenvalue	Likelihood Ratio	5% Critical value	1% Critical value	Hypothesised No of
					CE (s)
1.	0.818708	168.29860	94.15	103.18	None **
2.	0.646213	88.03909	68.52	76.07	At most 1 **
3.	0.355418	39.20322	47.21	54.46	At most 2
4.	0.197352	18.56305	29.68	35.65	At most 3
5.	0.156759	8.230626	15.41	20.04	At most 4
6.	0.004606	0.216990	3.76	6.65	At most 5

\*(\*\*) denotes rejection of the hypothesis at the 5 %(1%) level Source: Computed by Author.

Table 2 is a summary of the results of cointegration analysis using the Johansen maximum likelihood ratio test based on the trace of the stochastic matrix and maximal eigenvalues. In the cointegrating test for RGDP, D, PI, RDD, RGFCF and LTR, the likelihood ratios and the eigenvalues were utilised. The first row of Table 2 tested the hypothesis that there were no cointegrating equations. This was rejected at both the 5% and 1% levels. In the second row of the Table, the same hypothesis was tested and this was also rejected at both 5% and 1% significance levels.

Thus, in all, it can be said that there existed at least two cointegrating vectors. The conclusion that can be drawn from these two rows, therefore, is that a long–run comovement existed between RGDP, D, PI, RDD, RGFCF and LTR.

Table 3: Results of the OI	LS Regression	Performed on	the Model.
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Dependent Variable: RGDP

Independent Variables	Coefficients	t-values	Probabilities
С	- 1.184	- 0.875	0.3860
D	3.436	1.927	0.0617
Ы	0.001	0.500	0.7519
RDD	- 0.982	- 1.439	0.1583
RGFCF	9.181*	42.702	0.0000
LTR	0.090*	2.903	0.0067
AR (1)	1.046*	5.910	0.0000
AR (2)	0.213	0.995	0.3261
AR (3) F-statistic	-0.903* 866.849*	- 4.383	0.0001 0.0000

 $R^2 = 0.994$ , Adj,  $R^2 = 0.993$  D.W = 2.010, \*Significant at 5% level. Source: Computed by Author

Table 3 shows the results of the OLS regression performed. The regression model was generally well-behaved. With an  $R^2$  of 0.994, it can be said that the independent variables accounted for about 99% of the variations in RGDP. Initially the model

showed signs of serial correlation (autocorrelation) with a Durbin-Watson (D.W) statistic of 1.540. This was corrected for with exactly 3 rounds [AR (3)] of Cochrane-Orchutt iteration procedure to bring the D.W statistic to 2.010.

The estimator of the intercept term  $(\lambda_0)$  which was the predictor of the mean contribution to RGDP by both regime types was wrongly signed and not statistically significant. This implies that the contributions to RGDP during the military and civilian years were nil. The estimator of the democracy index variable (D) which was the predictor of how RGDP growth under civilian regimes was different from RGDP growth under military regimes conformed to a priori expectation by being positive but was statistically insignificant. When  $(\lambda_0 + \lambda_1)$  were considered together, it can be concluded that the contribution to RGDP under civilian regimes was nil. This implies that the two regime types did not contribute to RGDP growth. The estimators (slopes) of the two regression lines were assumed to be essentially the same. The estimator of the RDD variable was not statistically significant. However, it was rightly signed; thus conforming to *a priori* expectation because it is expected that if government finances expenditures by borrowing, the rising interest rate it may engender or may crowd-out investment thereby reducing RGDP (real output).

The estimator of the PI variable was not statistically significant and did not conform to *a priori* expectation in the sense that it is expected that a general price increase would negatively affect export demand. Also, it may cause input prices to rise and may increase tax liabilities of producers if marginal tax rate is too high. All the foregoing may cause producers to restrict output causing RGDP to decline.

The estimator of RGFCF variable was statistically significant. It was also rightly signed because if capital is accumulated and not depleted, productivity may be enhanced due to the deepening and possibly widening of capital. This may positively contribute to RGDP (real output).

The estimator of the LTR variable was statistically significant and rightly signed, so it conformed to *a priori* expectation in the sense that a better educated workforce is usually more disciplined and productive. For this reason, foreign capital in form of foreign direct investment (FDI) may gravitate towards an economy that can boast of such a workforce. This may boost RGDP (real output) growth.

Table 4: Granger Causality Test Results.

S/N	Variable	Observation	Causality Direction	F-value	Probability
1.	D,RGDP	47	D <u>B</u> GDP	0.70528	0.49973
2.	RGDP, D	47	RGDP D	0.90845	0.41092
3.	RDD, RGDP	47	RDDRGDP	0.04867	0.95255
4.	RGDP, RDD	47	RGDPRDD	22.8313	1.9E-07
5.	LTR, PI	47	LTRPI	1.38606	0.26126
6.	PI, LTR	47	PI TR	4.33180	0.01948
7.	RGFCF, RDD	47	RGFCFRDD	20.7908	5.3E-07
8.	RDD, RGFCF	47	RDDRGFCF	0.13528	0.87385
9	RGFCF, RGDP	47	RGFCFRGDP	51.2187	5.4E-12
10	RGDP, RGFCF	47	RGDPRGFCF	54.0858	2.4E-12

Source: Computed by Author

Table 4 shows the Granger-causality test results of some of the relevant variables utilised in the study. The results are majorly on variables whose causality relationships are statistically significant using the standard F-value tests. Also, the results are those of the causality directions of some variables that although are not statistically significant, but whose results are of critical importance to the study. All other results that are not of critical importance to the study are largely ignored for economy of space.

The results of the causality directions between D and RGDP had F-values that were not statistically significant. It can therefore be said that D did not Granger-cause RGDP and vice-versa. In other words, there was neither a unidirectional nor a bidirectional relationship between D and RGDP; thus further affirming the regression results that the two regime types did not contribute much to RGDP (real output) growth.

RDD did not Granger-cause RGDP. But RGDP can be said to have Granger-caused RDD. This suggests that both regimes may have been inclined to embark on government spending financed by borrowing from the increased savings that increases in RGDP (real output) may have spurred. LTR did not Granger-cause PI but PI Granger-caused LTR. This suggests that both regimes may have embarked on some sort of monetary policy that may have induced more expenditure on education. RGFCF Granger-caused RGDP because with increased capital accumulation, RGDP (real output) must surely increase. This affirms the regression result that RGCFC contributed positively to RGDP (real

output) growth. Also, RGDP Granger-caused RGCFC. This is because increases in RGDP may cause savings to increase. These savings may be borrowed and invested in projects thus leading to capital deepening and widening. So from

the foregoing, it can be said that there existed a feedback or a bidirectional relationship between RGDP and RGCFC.

# 5.0 **DISCUSSION**

Empirical results have shown that democratic and military (autocratic) regimes in Nigeria have both failed to achieve measures of RGDP (real output) growth during the study period. So, when the issue of real economic growth is discussed in Nigeria, both types of regimes that have ruled the country have not performed well in this regard. It follows therefore, that achieving real economic growth in Nigeria is not particularly a function of the regime type.

However, empirical results also showed that RGFCF positively influenced RGDP under the two regime types in Nigeria during the study period. This outcome may be connected with two factors. The first factor is the degree of restriction placed on economic activities under both democratic and military regimes. The second factor is the nature of Nigeria's social structure. In measuring the degree of restriction on economic activities, the categories of professionals statutorily required to be licenced before practicing their trade should be considered. In Nigeria, there are basically two types of professionals: formal sector professionals and informal sector professionals.

Both democratic and military regimes require the formal sector professionals such as the medical practitioners (Doctors, Nurses etc), Lawyers, Engineers, Pilots, Accountants, Stockbrokers etc. to be licenced by the appropriate regulatory bodies. But the informal sector professionals (artisans) such as the Mechanics, Bricklayers, Carpenters, Taxi drivers, Petty traders etc. are not statutorily mandated by both regimes to be licenced in order to ply their trades, although they may be required to pay dues to the coffers of their respective unions.

As to the issue of the nature of the social structure, the Nigerian agents of socialisation (institutions such as the family, religion, school etc.) have historically socialised their youths to show deference to their elders, parents and constituted authorities. This cultural norm is expected to be adhered to by Nigerians in the course of their interaction with the macro-society (the society–at–large). In terms of governance, it was the basis on which the autocratic style with which the rulers of the ethnic groups in Nigeria governed their subjects in the pre-colonial era. The Obas of the Yorubas of the west, the Emirs of the Hausas of the north and the village chiefs of the Igbos of the east all adopted this style of governance. In post-independence Nigeria, the Obas, Emirs and the Chiefs still influence governance and politics at least, at the local level.

So, when a military dictator overthrows a democratically elected regime, Nigerians, probably due to their cultural orientation, often do not perceive anything repugnant about the new arrangement. The forced transition from democracy to a dictatorship always does not prompt Nigerians to register protestations in form of armed insurgencies, sit-ins and sit-outs. They also do not get psychologically devastated enough not to be inventive or not to pursue their economic self-interests. They always just carry on with business as usual.

Finally, empirical results showed that LTR positively influenced RGDP under the two regime types in the country during the study period. This outcome is plausibly as a result of the fact that in Nigeria, there exist groups that closely monitor the policies of governments (military or civilian) on education. This close monitoring has compelled governments to pay attention to the funding of education. For instance, the Academic Staff Union Nigerian Universities (ASUU) has had of numerous confrontations over the years with both civilian and military governments in the country on the issue of adequate funding of tertiary education. Although funding has not reached a level deemed satisfactory by ASUU, but the agitation of the union has compelled governments to make some efforts, albeit feeble, at improving funding. This may have improved the literacy rate which may have also improved productivity of the workforce thereby translating into increased RGDP (real output).

# 6.0 CONCLUSION AND RECOMMENDATIONS 6.1 CONCLUSION

From the empirical investigation carried out, the following can be concluded: both democratic and military regimes have not been able to achieve measures of real output growth in Nigeria. So, the ability of any government to positively affect real output growth in the country is strictly not a function of the regime type. However, under both regime types, RGFCF and LTR have positively contributed to real output growth.

# 6.2 **RECOMMENDATIONS**

Based on these conclusions, the following recommendations are made:

**GOVERNMENTS IN THE COUNTRY** 1. MUST **CONTINUE** TO **FORMULATE** POLICIES THAT PROMOTE ECONOMIC **DEMOCRACY:** Governments in Nigeria, irrespective of their stripes must continue to promote economic freedom by legislating laws that remove restrictions on participation of the citizens of the country in their chosen spheres of economic interests. In this respect, laws must be formulated that would remove barriers to entry into industries in the country. For instance, as it is now, Nigeria does not have antitrust laws discouraging monopolistic tendencies among big corporations in the country. This is not to suggest though, that minimum quality standards must not be met before entry, but requirements must not be too stringent as to discourage participation by keen entrepreneurs.

2. INTEREST GROUPS AND THE CIVIL SOCIETY MUST CONTINUE то WITH GOVERNMENT ТО DIALOGUE **IMPROVE SPENDING** ON ON EDUCATION: No doubt what the federal government allocates to education in its yearly budget falls far short of what UNESCO recommends should be spent on education by its member nations. Nigeria is one of UNESCO's member nations who were signatories to the recommendation that member nations should devote at least 26% of their yearly budgetary allocations to education. ASUU and the civil society must therefore, continue to insist that the federal government abides by this recommendation. This way, Nigeria's workforce would become more educated, disciplined and productive. The ultimate outcome of these would be increased real output.

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### APPENDIX

Table 5: Nigeria's Literacy Rates (LTR), Inflation Rates (INF) Nominal Gross Domestic Product (GDP),

(i)	(ii)	(iii)	(iv)	(v)	(vi)
Year	Literacy	Inflation	Nominal Gross	Nominal	Gross Fixed
	Rates (%)	Rates (%)	Domestic Product	Domestic	Capital Formation
			( <del>N</del> bln)	Deficits (Nbln)	( <del>N</del> bln)
1961	NA	6.13	2.36	0.13	NA
1962	NA	5.01	2.60	0.37	NA
1963	NA	29.74	2.76	0.38	NA
1964	NA	0.29	2.89	0.41	NA
1965	NA	0.88	3.11	0.50	NA
1966	NA	2.49	3.37	0.44	NA
1967	NA	2.02	2.75	0.49	NA
1968	NA	2.44	2.66	0.35	NA
1969	NA	1.79	3.55	0.32.	NA
1970	NA	1.75	5.28	-0.27	NA
1971	NA	1.65	6.65	0.35	NA
1972	NA	9.41	7.19	0.39	NA
1973	NA	4.61	8.63	0.73	NA
1974	NA	13.53	18.82	3.02	NA
1975	NA	33.93	21.48	2.78	NA
1976	NA	21.10	26.66	2.95	NA
1977	NA	21.48	31.52	4.22	NA
1978	NA	13.30	34.54	2.38	NA
1979	NA	11.65	41.97	5.68	NA

Nominal Domestic Deficits (DD) and Gross Fixed Capital Formation (GFCF)(1961-2009).

1980	NA	10.00	49.63	8.19	NA
1981	NA	21.42	47.62	2.66	18.22
1982	NA	7.16	49.07	0.31	17.15
1983	NΔ	23.22	53.11	1.52	13.34
Table 6 (	Cont'd	40.71	59.62	1.44	9.15
1985	NA	4.67	67.91	2.43	8.80
1986	NA	5.39	69.15	0.27	11.35
1987	NA	10.18	105.22	0.48	15.23
1988	NA	56.04	139.08	-3.82	17.56
1989	NA	50.47	216.80	-10.33	26.83
1990	52	7.50	267.55	1.93	40.12
1991	51	12.70	312.14	-7.41	45.19
1992	54	44.81	532.61	0.23	70.81
1993	55	57.17	683.87	-5.32	76.92
1994	56	57.03	899.86	0.65	105.58
1995	57	72.81	1933.21	122.14	141.92
1996	57	29.29	2702.72	245.00	204.05
1997	57	10.67	2801.97	264.65	242.90
1998	57	7.86	2708.43	175.63	242.26
1999	57	6.62	3194.02	-285.10	231.66
2000	57	6.94	4582.13	-103.78	331.06
2001	57	18.87	4725.09	-221.05	372.14
2002	57	12.89	6912.38	-301.40	499.68
2003	57	14.03	8487.03	-202.72	865.88
2004	62	15.01	11411.07	-172.60	863.07
2005	63.1	17.85	14572.24	-161.41	804.40
2006	57.2	8.24	18564.59	-101.40	1546.53
2007	66.9	5.38	20657.32	-117.24	1915.35
2008	66.9	11.60	23842.17	-47.38	2030.51
2009	66.9	12.40	24712.67	-810.02	2442.70

# Note: NA = Not Available

Sources: (1) Column (ii) – Central Bank of Nigeria (CBN)Annual Report and Statement of Accounts (1994-2009 Issues)

(2) Columns (iii) – (vi) - Central Bank of Nigeria (CBN) Statistical Bulletin (2008, 2009).

 Table 6: Nigeria's Price Index (PI), Real Gross Domestic Product (RGDP), Real Domestic Deficits (RDD),

 Real Gross Fixed Capital Formation (RGFCF) and Democracy Index (D)(1961-2009).

(i)	(ii)	(iii)	(iv)	(v)	(vi)
Year	Price	Real Gross	Real Domestic	Real Gross Fixed	Democracy
	Index (PI)	Domestic Product	Deficits	Capital Formation	Index (D)
		(RGDP)(¥bln)	(RDD)( <del>N</del> bln)	(RGFCF)(Nbln)	
1961	100	0.02	0.001	NA	1
1962	81.73	0.03	0.004	NA	1
1963	485.15	0.006	0.0008	NA	1
1964	4.73	0.61	0.087	NA	1
1965	14.36	0.22	0.035	NA	1
1966	40.62	0.08	0.011	NA	0
1967	33.00	0.08	0.015	NA	0
1968	39.80	0.07	0.009	NA	0
1969	29.20	0.12	0.011	NA	0
1970	28.54	0.19	-0.009	NA	0
1971	26.92	0.25	0.013	NA	0
1972	153.51	0.05	0.003	NA	0
1973	75.20	0.11	0.010	NA	0
1974	220.72	0.09	0.014	NA	0
1975	553.51	0.04	0.005	NA	0
1976	344.21	0.08	0.009	NA	0
1977	350.41	0.09	0.012	NA	0
1978	216.96	0.16	0.011	NA	0
1979	190.05	0.22	0.030	NA	1

1980	163.13	0.30	0.050	NA	1
1981	349.43	0.14	0.008	0.052	1
1982	116.81	0.42	0.003	0.147	1
1983	378.80	0.14	0.004	0.035	1
1984	664.11	0.09	0.002	0.014	0
1985	76.18	0.89	0.032	0.116	0
1986	87.93	0.79	0.003	0.129	0
1987	166.07	0.63	0.003	0.092	0
1988	914.19	0.15	-0.004	0.019	0
1989	823.33	0.26	-0.013	0.033	0
1990	122.35	2.19	0.016	0.328	0
1991	207.18	1.51	-0.036	0.218	0
1992	731.00	0.73	0.0003	0.097	0
1993	932.63	0.73	-0.006	0.104	0
1994	930.34	0.96	0.001	0.113	0
1995	1187.77	1.63	0.103	0.013	0
1996	477.81	5.66	0.513	0.427	0
1997	174.06	16.10	1.520	1.395	0
1998	128.22	21.12	1.370	1.889	0
1999	108.00	29.57	-2.640	2.145	1
2000	113.21	40.47	-0.917	2.924	1
2001	307.83	15.35	-0.718	1.209	1
2002	210.28	32.87	-1.433	2.376	1
2003	228.87	37.08	-0.886	3,783	1
2004	244.86	46.60	-0.705	3.525	1
2005	291.19	50.04	-0,554	2.762	1
2006	134.42	138.11	-0.754	11.505	1
2007	87.77	235.36	-1.336	21.822	1
2008	189.23	126.00	-0.250	10.730	1
2009	202.28	122.17	-4.004	12.075	1

Note: NA = Not Available

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Sources: (1) Columns (ii) – (v), Computed by Author based on data in Table 5 in the appendix. (2) Column (vi) – Computed based on Arthur's knowledge of the political history of Nigeria.