FISCAL DEFICIT AND NIGERIA'S ECONOMIC DEVELOPMENT

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Abstract

This study descriptively appraised fiscal deficit and its implication on Nigeria's economic development from 1980 to 2016. It was observed that Nigeria's fiscal operations for about 37 years had resulted in deficit in 35 years and surpluses for only two years. Surprisingly, the increasing fiscal deficit had been skewed in favour of recurrent expenditure at the expense of capital expenditure. This pattern of deficit expenditure that is heavily recurrent in nature is not capable of driving economic development in the long run as advocated by economic theorists. Specifically, the study appraised fiscal deficit in relation to some identified indicators of development such as per capita income, economic growth (GDP), unemployment, inflation and Balance of payments (BOP). It was discovered that Nigeria's fiscal deficit has contributed positively to the growth of per capita income, economic growth and stabilization of Balance of payments only. Fiscal deficit did not reduce unemployment and inflation rates within the period of study. Thus the study advocated for massive investment/expenditure on capital projects (such as infrastructure) as against recurrent projects. This is likely to have the efficacy of boosting output and reducing unemployment and inflation through the multiplier effect.

Keywords: Fiscal, Deficit, Economic, Expenditure, Development

INTRODUCTION

Since the introduction of Keynesian economics, governments have regulated and controlled their economies in several ways in line with the basic economic ideology of optimizing the welfare of the citizens. Their interference in the operation of market economies is consequent

upon the imperfections and shortcomings that are inherent in these economies. These imperfections are evident in the form of market failure. Knowing that market failure could lead to the collapse of the entire system, government usually adopt two types of policies, namely, Fiscal and Monetary policies. These policies are meant to regulate the working of a market driven economy.

Fiscal policy simply refers to actions taken by government with a view to controlling government expenditure and income in order to achieve some predetermined macro-economic objectives. These objectives include, but are not limited to reduction in unemployment level, price stability, rapid economic development and a healthy balance of payments position. In developing countries, fiscal policy is regarded as a tool for moving backward economies to the path of sustained economic growth and development. The fiscal system is generally viewed as one with a package of instruments for translating development policy objectives into practice. One of such package of instruments is fiscal deficits.

Fiscal deficit is an economic situation where current expenditure exceeds current expected income. Fiscal deficits is said to be effective if it realizes its goals. This means that it is a means to an end and not an end in itself. The end in this situation is ensuring the stabilization of prices, economic development and hence an improvement in the standard of living. Given that it is not an end in itself; its usefulness depends on its ability to achieve the goals which the policy architects set out. In Nigeria, government has always relied more on fiscal policy as a key to solving her economic issues. These policies are anchored on Keynesian economic assumptions of increasing or reducing government spending and reducing or increasing taxes and subsidies. In the 1980s, federal government expenditure had grown significantly resulting in fiscal predicaments, inflation and other economic crisis. The low level of private sector driven development, however, led to public sector control of the economy, facilitated by growth in Nigeria's oil sector. Consequently, through the austerity measures implemented in 1982 and Structural Adjustment Programme (SAP) introduced in 1986, the country drastically reduced public expenditure by government as a component of its stabilization and adjustment programmes. These cutbacks in public expenditure resulted in unmatched economic and social costs as human resource development was abandoned and with adverse long-term development costs (Oyinlola and Adam, 2003).

For over thirty seven years, between 1980 and 2016, the nature of public expenditure operations of the Nigerian government had resulted in deficits in 35 years and surpluses in two years (1995 and 1996). In spite of these and the eventual implementation of SAP, several problems and constraints in the Nigerian economy are still with us. Worse among them are the continued heavy reliance on the oil sector as the main source of foreign cash inflow and

government revenue, the twin evils of inflation and unemployment, the burden of both external and internal debts, the disturbing issue of low productivity in agriculture, manufacturing and the economy in general. This has been attributed to some factors which include social and religious crisis, mismanagement of available resources, corruption, fall in the price of oil in the world market creation of states and local governments that are not economically viable and unprecedented increase in economic activities. This has made the incidence of fiscal deficits inevitable (Egwaikhide et al, 1994 and CBN, 2006). It is worthy of note that since the beginning of civilian rule in 1999 and post economic crisis of 2008, output growth in Nigeria has improved significantly. The last fourteen years spanning from 2000 to 2014 witnessed average growth rate of about 6 percent (CBN, 2015). However, economic growth has not yielded any appreciable decline in unemployment and poverty prevalence despite the huge fiscal deficits by the federal government.

From the fore going, it becomes necessary to appraise Nigeria's fiscal deficits since 1980 to 2016 with a view to finding out its contributions in the development efforts of the nation. This period is chosen given that it is a mix of 15 years of military government and 21 years of civilian or democratic government. This work is an attempt to examine and analyse the effectiveness of fiscal deficits as a tool for economic stabilization in Nigeria. Economic stabilization implies actions aimed at preventing or reducing erratic movements in magnitude of major economic development indicators or variables. Stabilization policies seek to control the growth of income, employment, prices, debts, balance of payments, output, etc. Specifically, this work is appraising fiscal deficits in relation to economic growth, unemployment, balance of payments, inflation and per capita income – all of which are economic development indicators.

REVIEW OF RELATED LITERATURE

Empirical literature on Fiscal deficit and Economic Stabilization

Bhatia (2002) noted that in a developing economy, public spending plays an active role in reducing regional differences, developing soft-core and hardcore infrastructure of economic growth and driving research and development. According to Adesoye, Olukayode and Akinwande (2010), public spending on infrastructural development plays a great role in the form of driving economic activities. The mechanism through which government expenditure on public infrastructure is expected to affect the rate of economic growth depend largely upon the exact form and size of total public spending apportioned to economic and social development projects in the economy. When public spending is incurred, by itself, it may be intended for particular investments or may be able to bring about re-allocation of the investible wherewithal in the private sector of the economy. This effect, therefore, is basically in the form of re-allocation of

resources from less to more desirable investment lines. A vital way in which public spending can speed up the rate of economic growth is by narrowing down the difference between social and private marginal productivity of certain investments. Here, public expenditure on social and economic infrastructural like health, transport, education, waste disposal, electricity, water supply, sanitation and communication has the potential of contributing to the performance of the economy based on the support of infant industries in the economy, reduction in the unemployment rate, stabilization of the general price level in the economy, reduction in the poverty rate and increase the standard of living of the people. Economic growth and higher productivity can as well be promoted by attracting foreign investments.

Niloy, Emranul, Osborn (2003) used a disaggregated method to assess the impact of public spending on economic growth for 30 developing countries in 1970s and 1980s. The authors confirmed that the impact of government capital spending on economic growth is significantly positive but the share of government current spending in GDP was shown to be insignificant in explaining economic growth. Fajingbesi and Odusola (1999) empirically assessed the relationship between government spending and economic growth in Nigeria using Ordinary Least Squares (OLS). The econometric analysis revealed that government capital spending has a significant positive effect on real output. However, the results showed that government recurrent spending has little effect on growth.

In the same vein, Jhigan (2011) asserted that public spending is a basic requirement for economic development. The public sector initially make available infrastructure (be it economic, social or otherwise) such as water supply, roads, security, sanitation and railways. As economic growth occur, the balance of public investment move towards human capital development through increase public spending on health, education and welfare services. In this model, the state is implicitly seen to grow more or less like an organism making decision on behalf of the citizens.

The demand-side analysis by Keynes also stressed the need for increase in government spending even beyond current income (that is fiscal deficits), specifically, during depressions when the economy suffers from deficiency of active demand, such as during the Great Depression of 1929 to 1932, and more recently, the 2008 Global Financial and Economic Crisis. This will increase the demand for productive output, resulting in unemployment being reduced (Anyanwu and Oaikhenan, 1995, Ogboru, 2006).

A persistently huge fiscal deficit may turn out to be a teething problem for the government and the economy (Dalyop, 2010). Three reasons were put forward by Dalyop (2010). Firstly, fiscal deficits have to be funded on a daily basis and this can be financed by the issue of new government debt to domestic or overseas investors. But if the deficit spending

soars too high, the government may have to propose higher interest rates to attract buyers of government debt. In the long run, higher government borrowing today implies that taxes will have to rise in the future and this would put a squeeze on spending by private sector dealings and millions of family units. Secondly, **i**n the long run, a higher government borrowing leads to the accumulated national debt. This means that the Government expenditure has to increase each year in debt-interest payments to holders of government bonds and other securities. Thirdly, Neo-liberal economists naturally hold a divergent view on government spending as they are opposed to high government expenditure. They are of the view that a rising share of GDP taken by the state sector has a negative crowding out effect on the growth of the private sector of the economy. They are doubtful about the benefits of higher expenditure believing that the magnitude of waste in the public sector is high. On a general note, it is theoretically and empirically acknowledged by most scholars that public expenditure drives economic growth – whether fiscal deficits, balanced or surplus fiscal expenditure.

Theoretical literature

Three major strands of argument regarding the effectiveness of public expenditure in fostering economic growth and development exist in theory. They are the Keynesian Theory, the Monetarist Theory and the Ricardian Equivalence Theory (Dalyop, 2010). These theories with regard to output, private investments and the external sector, are of the view that fiscal deficits have the potential for a non-effect, positive or even a counter-productive effect on the performance of the economy.

The Keynesian Theory

Keynesian economics, according to Okpanachi and Abimiku (2007), advocates that an increase in government spending promotes the growth of domestic output. Deficit spending by the government drives the growth of the economy in the short-run by making family units feel better-off (Seater, in Okpanachi and Abimiku, 2007), thus increasing total public and private consumption spending. Consequent upon the increase in aggregate demand, fiscal deficit has a positive effect on macroeconomic activity, thereby encouraging savings and capital formation (Chakraborty and Chakraborty, 2006). Government expenditure in an underemployed economy add to aggregate demand at prevailing prices and interest rates with no calculation necessity for private family units to offset (displace or crowd-out) their own purchases as long as public goods are not close substitutes for private goods. The resulting rapid growth of nominal GDP would automatically produce faster growth of real GDP and demand would thus create its own supply, in stark contrast to Say's Law. The Keynesians recognize the possibilities of government

expenditure crowding-out private (investment) spending through increased cost of credit (interest rate), hence the recommendation by Musgrave that fiscal deficit should be implemented only during a depression when interest rates are likely to be unresponsive in order to avoid the dampening effect of rising interest rates on private investment expenditure (Okpanachi and Abimiku, 2007). The Keynesians further posit that fiscal deficits could have a negative impact on the external sector, reflected through trade deficit, but only if the domestic economy is unable to absorb the additional liquidity through an expansion in output. Hence, if the supply of output does not expand in response to the deficit, the surplus spending would only add to the level of imports, thereby resulting in a trade deficit and subsequent decrease in the exchange rate: "the twin-deficits" hypothesis (Monacelli and Perotti, 2006, Neaime, 2008, Okpanachi and Abimiku, 2007).

The Monetarist Theory

To the monetarists, government fiscal deficits, financed by domestic debt, constitute a mere transfer of resources from the private sector to the public sector with little or no effect on output. But, given the view of the monetarists, the private sector is more efficient than the government; such a transfer could have a negative effect on output. To the contrary however, the monetarists argue that increased government spending financed by monetary expansion has a strong stimulating effect on the economy, and as such raises aggregate demand (Okpanachi and Abimiku, 2007). Financing an increased government expenditure through bonds raises interest rates, which results in a crowding-out of private investments. The increased supply of bonds negatively influence investment as the growth of interest rates contributes to a substantial decrease in investment demand (Chakraborty and Chakraborty, 2006). On the foreign sector, government fiscal deficits to the monetarists cause an increasing demand for imported goods and assets, giving rise to unfavourable balance of trade. This is the outcome of the surplus money supply ushered in by the debt instruments drawn on the central bank (Okpanachi and Abimiku, 2007).

The Ricardian Equivalence Theory

This theory holds that fiscal deficits, irrespective of how they are financed would have an insignificant or no effect on private consumption and interest rates. But this would depend on some suppositions. The suppositions are that: a) individuals internalize both the government's budget constraint and the utility of their offspring; b) the capital market is well-organized, such that the interest rate is the same for borrowers and lenders; and c) distorting taxes are non-existent.

Barro (1989) opined that this theory (Ricardian equivalence) implies that taxpayers do not see government bonds as net wealth. Thus, its acquisition by individuals does not change their consumption behaviour. In view of this, it was concluded that the impact of government expenditure in a closed economy will be invariant to tax versus bond financing. Fiscal deficit therefore simply represents a transfer of spending resources from the private to the public sector and variation in fiscal deficit is neutral to economic activity (Chakraborty and Chakraborty, 2006). Fiscal deficit, according to this theory, also has no impact on private investment. Accordingly, a decline in taxes, accompanied by a rise in deficit expenditure, does not trigger consumption growth, and hence does not have any expansionary effect as family units tend to increase savings in anticipation of higher taxes in the future, which are necessary to redeem the debt (Okpanachi and Abimiku, 2007). Similarly, the Ricardian equivalence theory holds that tax-financed government deficits or debts do not have any effect on the trade balance and the real exchange rate and hence the absence of a relationship between deficit expenditure and current account deficit (Barro, 1989, Neaime, 2008 and Okpanachi and Abimiku, 2007).

FISCAL DEFICITS IN NIGERIA (1980 – 2016)

In Nigeria, fiscal expenditure is made possible by unprecedented earnings from oil sales which most often than not is alternated by periods of oil glut that leads to significant declines in government revenues. As government is always unwilling to reduce the bloated expenditures that had resulted during the oil boom periods, they are forced to seek alternative means of financing their expenditures. Thus, governments resort to fiscal deficits. Fiscal deficits have become a recurring decimal of public sector financing in Nigeria. The peculiarity of fiscal deficits in Nigeria is that it is skewed heavily in favour of recurrent expenditure (60 per cent recurrent expenditure and 40 percent capital expenditure) which does not necessarily drive economic development. Since one of the critical instruments of fiscal policy is fiscal deficits, hence, stabilization of prices, growth of per capita income, and employment requires that fiscal deficit itself must grow or expand at a low constant rate. The Nigeria experience is completely at variance with the idea expressed above. Fiscal deficits have been growing at a rate that is alarmingly not constant. As can be observed in table 1, the growth rate of fiscal deficits rose from 97.55 per cent in 1981 to 171.54 per cent in 1986 and rose to 3104.94 per cent in 1996 respectively. Fiscal deficit growth rate was negative (- 115.60 per cent) in 1997, but increased sharply to 2567.78 per cent in 1998 and declined to 2.07 per cent in 2016. Between 1998 and 2016, the deficit growth rate has been rising and falling. This clearly shows that fiscal deficit has not been growing at a constant rate.

Table 1: Fiscal deficit growth rate in Nigeria

YEAR	Fiscal deficit	Fiscal deficit Growth rate
1980	-1975.2	-
1981	-3902.1	97.55
1982	-6104.1	56.43
1983	-3364.5	-44.88
1984	-2660.4	-20.92
1985	-3039.7	14.25
1986	-8254.3	171.54
1987	-5889.7	-28.64
1988	-12160.9	106.47
1989	-15134.7	24.45
1990	-22116.1	46.12
1991	-35755.2	61.67
1992	-39532.5	10.56
1993	-107735.3	172.52
1994	-70270.6	-34.77
1995	1000.0	-101.42
1996	32049.4	3104.94
1997	-5000.0	-115.60
1998	-133389.3	2567.78
1999	-285104.7	113.73
2000	-103777.3	-63.60
2001	-221048.9	113.0
2002	-301401.6	36.35
2003	-202724.7	-32.73
2004	-172601.3	-14.85
2005	-161406.3	-6.48
2006	-101397.5	-37.17
2007	-117.2	-99.88
2008	-47.3	-59.64
2009	-810.0	1612.47
2010	-110.5	-86.35
2011	-115.8	4.79
2012	-975.6	742.48
2013	-115.3	-88.18
2014	-1064.6	823.33
2015	-1109.0	4.17
2016	-1085.8	-2.09

Source: CBN Statistical Bulletin 2016

Granted that the effectiveness of fiscal policy vis-à-vis fiscal deficits depends on its ability to realize the aims set by the policy makers, this study shall examine the extent to which fiscal deficits have assisted in the realization of the following objectives: a) ensuring relative price stability b) attainment of high and sustainable per capita income c) reduction in unemployment

rate d) maintenance of a good balance of payments position on the external front e) growth rate of RGDP. These objectives shall be discussed one after the other within the study period of 1980 to 2016.

FISCAL DEFICITS AND ECONOMIC STABILIZATION IN NIGERIA: AN APPRAISAL

Economic stabilization in Nigeria through fiscal deficit will be appraised with the aid of tables. These tables will indicate average fiscal deficit growth rate, per capita income, unemployment rate, inflation rate and balance of payments. The following tables will be used to analyze the effect of fiscal deficit on economic stabilization in Nigeria.

Table 2: Deficit expenditure growth rate and RGDP growth rate

YEARS	DEFICIT EXPENDITURE (AVERAGE)	Growth rate of deficit	RGDP (in millions $)	Growth rate of RGDP
1980 – 1985	-3441.01	-	44.917	-
1986 – 1991	-16555.15	381.11	25.077	-44.17
1992 – 1997	-31581.5	90.76	27.088	8.01
1998 – 2003	-207907.75	558.32	47.528	75.45
2004 – 2009	-236574.13	13.78	148.253	211.92
2010 – 2016	-904907.72	282.5	458.706	209.40

Source: Authors' computation based on World Development Indicators (2016)

Economic stability is said to exist when the real gross domestic product (RGDP) (total GDP deflated for inflation) increases persistently over time. From table 2, it is observed that there was persistent growth in RGDP in three successive periods, and these periods also witnessed growth in fiscal deficit. Thus, it can be safely concluded that fiscal deficits triggered the growth of RGDP. However, these growth periods coincides with the era of oil boom, so, the growth in RGDP could be attributed to increased earnings from crude oil exportation.

Table 3: Deficit expenditure growth rate and per capita income (PCI) growth rate

YEARS	DEFICIT EXPENDITURE (AVERAGE)	Growth rate of deficit	PCI (in thousands of naira)	Growth rate of PCI
1980 – 1985	-3441.01	-	740.95	-
1986 – 1991	-16555.15	381.11	2086.1	181.54
1992 – 1997	-31581.5	90.76	15100.39	623.85
1998 – 2003	-207907.75	558.32	41702.03	176.16
2004 – 2009	-236574.13	13.78	131626.6	215.63
2010 – 2016	-904907.72	282.5	462890.46	251.67

Source: Authors' computation based on CBN's Statistical Bulletin (2016)

Table 3 is a comparative analysis of the growth rate of deficit expenditure and per capita income growth rate. Six (6) years average is used. Deficit spending grew by 381.11 per cent between the period of 1980 – 1985 and 1986 – 1991. The growth rate decline to 90.76 per cent between 1986 – 1991 and 1992 – 1997 periods skyrocketed to 558.32 per cent between 1992 – 1997 and 1998 – 2003 era. The growth rate declined between 1998 – 2003 and 2004 – 2009 time period to 13.78 per cent. It has grown by 282.5 per cent between 2004 – 2009 and 2010 – 2016 time period. On the other hand, per capita income has been on the upward trend within the period under review, significantly rising by 623.85 per cent between 1992 and 1997, declining by 447.69 per cent to 176.16 per cent between 1998 and 2003. However, the upward trend has been noticeable from 2004 till date.

From literature, if deficit expenditure is embarked upon, it is expected to have positive effect on development indicators, of which per capita income is one. The fact that Nigeria's per capita income (PCI) has been growing within the period under review is an indication that deficit spending has been having the desired effect on economic development. Whether this effect is actually trickling down to the populace is a subject for debate. The growth in PCI could be attributed to growth from revenues accruing from the rent seeking activities prevalent in the oil sector, both in the up and down stream sectors.

Table 4: Deficit expenditure growth rate and unemployment rate

YEARS	DEFICIT EXPENDITURE (AVERAGE)	Growth rate of deficit	UNEMP
1980 – 1985	-3441.01	-	10.75
1986 – 1991	-16555.15	381.11	10.31
1992 – 1997	-31581.5	90.76	10.76
1998 – 2003	-207907.75	558.32	15.0
2004 – 2009	-236574.13	13.78	15.43
2010 – 2016	-904907.72	282.5	16.36

Source: Authors' computation based on CBN's Statistical Bulletin (2016)

Between the six (6) year period of 1986 and 1991, there was a marginal decline in unemployment, from 10.75 per cent witnessed in the preceding six year period of 1980 - 1985. However, unemployment rate has been growing since then. The implication is that deficit expenditure has not been having the desired effect on employment generation in Nigeria. Deficit spending should stimulate national output growth which will result in employment creation (reduction in unemployment). Despite the persistent growth rate of fiscal deficit (as shown in table 2), the evil of unemployment has not been tackled by deficit spending. This may be as a

result of the fact that deficit spending has been skewed in favour of recurrent expenditure to the detriment of capital expenditure. For as long as capital fiscal deficit is not greater than recurrent fiscal deficit, the capacity of the economy to generate employment to tackle the menace of unemployment will be greatly mitigated. There is need for there to be a reassessment of priorities. Investment in rail transport infrastructure should be encouraged, the dormant Ajaokuta steel rolling mill should be revitalized, the Ikot Abasi aluminium smelting company should be resuscitated, inland water ways should be dredged, the few airports should be upgraded to be up to international standard. When such projects, being capital-intensive are embarked upon, then the menace of unemployment may be tamed with fiscal deficit financing.

Table 5: Deficit expenditure growth rate and the rate of Inflation

YEARS	DEFICIT EXPENDITURE (AVERAGE)	Growth rate of deficit	Inflation Rate
1980 – 1985	-3441.01		17.8
1986 – 1991	-16555.15	381.11	19.21
1992 - 1997	-31581.5	90.76	44.8
1998 - 2003	-207907.75	558.32	11.55
2004 - 2009	-236574.13	13.78	11.61
2010 - 2016	-904907.72	282.5	13.89

Source: Authors' computation based on CBN's Statistical Bulletin (2016)

A growing economy needs periodic inflation – that is increase in the general price level of goods and services, including wages. However, for this inflation to be the desired type, it needs to be a-single digit inflation. The effect of deficit expenditure on the general price level of goods and services has been mixed during the period under review. For example, the average rate of inflation was 17.8 per cent between 1980 – 1985 and further grew to 19.21 per cent in the 1986 – 1991 periods. The upward trend continued with inflation reaching an average rate of 44.8 per cent in the next period (1992 – 1997). However, there was a significant drop from 44.8 per cent to 11.55 per cent in the 1998 – 2003 era, grew insignificantly by 0.06 per cent to 11.61 per cent in 2004 – 2009 time period, and averaged 13.89 per cent between 2010 – 2016 period.

It can be concluded that despite the fact that deficit spending has been growing during the period of this study as seen in table 2, it has had a mixed effect on the rate of inflation in Nigeria within the period under review. Gyrations have been noticed during the period of analysis. The instability noticed in the rate of inflation could be attributed to increased earnings from oil revenue coupled with unmitigated growth in money supply. When these (increasing oil

revenue and growth in money supply) are not accompanied by growth in output, demand will grow faster than supply and the consequence will be inflation with its inherent negative effects

Table 6: Deficit expenditure growth rate and growth rate of balance of payments (BOP)

YEARS	DEFICIT EXPENDITURE (AVERAGE)	Growth rate of deficit	BOP	Growth rate of BOP
1980 – 1985	-3441.01	-	9472.43	-
1986 – 1991	-16555.15	381.11	41270.4	335.7
1992 - 1997	-31581.5	90.76	54995.96	33.25
1998 - 2003	-207907.75	558.32	204735.63	272.27
2004 - 2009	-236574.13	13.78	2781129.3	1258.40
2010 - 2016	-904907.72	282.5	2681852.78	-3.56

Source: Authors' computation based on CBN's Statistical Bulletin (2016)

Deficit expenditure is usually embarked upon to stimulate output of the domestic economy. When the domestic output is stimulated, export will grow. Growth in export translates to healthy, favourable balance of payments. How has Nigeria fared in this regard? From table 4, it is obvious that Nigeria's balance of payments growth rate has been on the increase from 1980 – 1985 era down to the 2004 – 2009 period. There was a decline in the 2004 – 2009 and 2010 – 2016 period. It may not be out of place to state that the growth of deficit spending has had the desired effect on balance of payments position of Nigeria. However, it is hoped that the slight dip in the balance of payment position in the 2010 – 2016 period is temporary and will quickly be reversed. But the favourable BOP position is attributed not to growth in industrial output and other non-oil sectors, but basically as a result of increased revenue from oil export. The moment earnings from export are greater than payments for imports, there is bound to be a favourable BOP position.

CONCLUSION

From the trend presented in table 1, the argument that Nigerian government has always relied on deficit spending to stabilize her economy has been validated. As seen in table 1, in the 37 year period that spans from 1980 to 2016, only two years recorded surpluses; 1995 and 1996 respectively. Having had 35 years of deficit expenditure, how has the country fared in the attainment of the objectives of fiscal deficit, which is economic stabilization? From the tables above, three out of the five development indicators used by the authors have conformed to *a priori* expectation. This implies that deficit spending in Nigeria has stimulated growth of real GDP, per capita income and balance of payments position in Nigeria. However, unemployment

and inflation have not completely conformed. This scenario is worrisome, given the fact that these variables are of great importance for economic stability. The reason for the gyrations in unemployment could be as a result of the fact that fiscal deficit has been geared toward recurrent expenditure to the detriment of capital expenditure which has the capacity to stimulate employment. If massive investment on infrastructure is embarked upon, for instance, rail transport infrastructure, dualization of major roads across the length and breadth of the country, resuscitation of textile industry, Ajaokuta steel complex, etc, then the demand for both skilled and unskilled labour will increase. This will drive down the rate of unemployment. As for inflation, its instability could be attributed to the growth rate of money supply, which is faster than the growth rate of labour productivity. When there is such divergence, effective demand is bound to be more than supply, leading to demand-pull inflation. When labour productivity is low, demand for labour will also be low, and in extreme cases, layoff of labour will follow. When such happens, the unemployment level will increase, even with increasing deficit spending as witnessed in the Nigerian case. With this descriptive analysis, it is necessary for further studies to be carried out using parametric statistical analysis. This would make room for comparison.

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