Title of Article: Government Spending and Economic Growth in Nigeria: A Vector Auto-regression Modeling Approach

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Abstract: This paper examined the impacts of capital and recurrent public expenditures on gross domestic product and also determined the causal relationship between government spending and gross domestic product in Nigeria between 1970 and 2002. The data was subjected to an econometric analysis using the vector autoregressive (VAR) modeling approach. The result shows that aggregate government expenditure generally rises with increases in oil revenue but hardly declines when the increases ceased, resulting in destabilization in the economy. Both recurrent and capital expenditure exerted positive impact on economic growth (GDP) but the impact of the capital expenditure was greater. Also the causality test showed that promoting economic growth had been largely responsible for the increasing government spending in Nigeria. The study recommended that the overdependence of Nigeria on the oil sector as its main source of revenue should be reviewed. Furthermore, it is recommended that a larger proportion of total government spending should be allocated to capital expenditure.