Economic Growth and Human Development Effect of Globalization in Nigeria: Evidence in the Democratic Era

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Abstract
The paper empirically investigates the effect of globalization on economic growth and human development in Nigeria in the new democratic era (1999 – 2011). Using annual time series data sourced from the International Monetary Fund (IMF) WEO database, National Bureau of Statistics (NBS), the Central Bank of Nigeria (CBN) Statistical Bulletin, the Central Intelligence Agency (CIA) World Fact Book and the United Nations Development Programme (UNDP) annual human development report, and employing multiple linear regression model, it examines three channels through which globalization affects economic growth and human development – trade openness, financial openness and migration channel. The analysis indicated that the effect of globalization on economic growth has been more significant than its effect on human development, and that trade and financial openness have had significant negative effects on economic growth and human development, while net migration rate has had positive effect on economic growth and human development within the sample period, although, the effect on human development was statistically insignificant. Emanating from the findings, we proffered that caution should be exercised in embracing and implementing economic liberalization policies which are the hallmark of globalization, and to mitigate its negative effects on economic growth and human development. Recommendations for policy include diversification of the country's export items/commodities and markets, political will to revive the nation's real sector industrial, agriculture, and so on), strengthening of the nation's financial, education, health and other institutions, etc.
Keywords: Globalization, Economic Growth, Human Development, Openness, Migration.

1. Introduction

"Globalization is about increasing the interconnectedness and interdependence among religions, nations, governments, businesses, institutions, communities, families and individuals" (Obadan, 2003, pp. 3-4). This description of globalization by Obadan discloses that globalization is a multidimensional and multifaceted phenomenon with different but related aspects – political, religious, social-cultural, economic, environmental, etc., the economic aspect being at the heart of the globalization process. Economic globalization which is the main focus of this paper refers to "the growing interdependence and interactions among world economies characterized by increased world trade and unhindered flow of investment, labour, technology and information across national borders. Openness and markets constitute the platform, while trade, finance and investment, and entrepreneurs are the heart" (Obadan, 2003, pp.3-4). This aspect of globalization has been recognized as the dominating force of the economic universe which promises to light up the world with economic prosperity (Naqvi, n.d.).

While the key drivers of globalization – the International Monetary Fund (IMF), the World Bank and the Multinational Corporations argue that globalization is the key to economic development and eradication of poverty, and have continued to present neoliberal economic policies as the panacea for the lackluster economic performance of the underdeveloped economies, several anti-liberalization researchers and analysts have argued that unguided trade and financial openness could slow down the rate of growth of the economies of LDCs. In the view of Chunakara, as cited in Mubangizi (2009, p.7), "globalization intensifies impoverishment by increasing poverty, insecurity, fragmentation of society and this violates human rights and human dignity of millions of people". According to Crockett (2011, para. 4), "one of the antiglobalist theories is that globalization is causing the decline of the nation state, as governments no longer have control over their economies, their trade and their borders. Nation states may have in the past been in control of their markets, exchange rates and capital. Now Transnational Companies are becoming increasing imperative to the economy, and the state is becoming more obsolete".

It has been argued that globalization contributed significantly to the spread of democracies, and democracy also has been considered as one of the key processes in society for enhancement of economic growth (Kagochi, Tackie and Thompson, 2007). Since the advent of the new wave of globalization, many countries which were under military dictatorship have had to embrace democratic system of government and opened up their economies. Considering that the United States of America has been at the forefront of championing the new wave of globalization, (through her prominent stakes in the Breton Woods institutions) (Pfaff, 2000), many see globalization as "Americanism spread around the globe" (Fitzpatrick, 2003). Also, when it is considered that the

U.S.A. is an ardent "lover"/promoter of capitalism, it would be understood why Robbinson (1996) as cited in Fitzpatrick (2006), described globalization as the spread of capitalism throughout the world, as it seeks victory of the market over government (Naqvi, n.d). Capitalism in the real sense means *less of the State and more of the market*, and practicing this is presumed to be easier in democratic settings than in non-democracies.

In the light of the foregoing, it can be argued that globalization aims at transforming the world into a (unified, integrated) global village where capitalism is the prevailing economic system, an economy characterized by intense competition, high income inequality between and within nations, etc. The weak and unprepared may be crushed in the process, while the strong inevitably get stronger. Thus, according to Anyanwu (2006), globalization has its winners and losers. The main argument of this paper is that most sub-Sahara Africa countries have not derived much benefits or have suffered severe setbacks from the globalization process due to the poor state of infrastructure, weak institutions, weakness of growth promoting and welfare enhancing sectors, and the lack of fairness on the part of the industrialized nations in their dealings with the developing and emerging market economies in the region, particularly in the areas of international trade and finance.

The objective and the intended contribution to knowledge of the paper are to test whether globalization fosters rapid economic growth and human development during the democratic era using Nigeria as the country in focus.

The paper therefore seeks answer to the research question: Has globalization (through the channels of trade and financial openness, and migration) been beneficial or detrimental to economic growth and human development in Nigeria since the country returned to democratic system of government in 1999?

The remainder of the paper is organized as follow: Section 2 contains the problem of the study, or problem definition. In Section 3, a review of selected (relevant) literature is attempted. The theoretical framework for the study is developed in Section 4. Data description, models specification and method of analysis are presented in Section 5. Discussion of results and their implications for policy with some recommendations are contained in section 6. Section 7 concludes the paper.

2. The Problem

The implementation of the Structural Adjustment Programme (SAP) in 1986 marked the genesis of the formal liberalization of the Nigerian economy. This occurred in the military regime under the leadership of the then Head of State - President Ibrahim Badamosi Babangida. Many of the key sectors of the economy were liberalized in an attempt to integrate the Nigerian economy with the global market as directed by the Breton Woods Institutions as the panacea to the ailing economies of the less developed countries. Some of the elements of the SAP policies were trade and capital account liberalization, deregulation of interest and exchange rates, reduction in public expenditure, etc. The implementation of these policies had varying effects on human development and economic growth of the country. It has been argued that Nigeria embraced globalization unprepared, and consequently, the country has not derived much benefit there from. For example, the liberalization of trade and finance, has brought about worsening balance of payments positions so much so that since 1986 till date, the country's balance of payments (BOP) account had been predominantly negative (CBN Statistical Bulletin, 2011). Similarly, the national currency began to depreciate as its exchange rate vis-a-vis the U.S. Dollar began to rise and became more unstable in response to the vagaries in the international goods and capital markets. The depreciation of the naira had deleterious effects on human development and the growth of the economy at large, bringing in its trail heightened inflation rates, owing partly to the import dependent nature of the economy. Trade openness has been blamed for the lackluster performance of the nation's industrial sector (particularly the manufacturing sub-sector), resulting in an astronomical increase in unemployment rates. This in turn brought about a rise in emigration rate, made possible by the globalization process and also brought in its wake the "brain drain" syndrome (or decrease in skilled labour, needed for sustainable economic growth and human development).

After several years of military dictatorship, the country returned to the democratic system of government in May 1999. In spite of insinuations that democracy creates the ambience for globalization to positively affect economic growth and human welfare, there has not been significant improvement in the nation's major economic and welfare indices since the return to democratic rule. The nation's currency apparently has depreciated more than ever and has become more volatile. Furthermore, with the exception of years 2009 and 2010 the nation's capital account was in deficit between 1999 and 2011, though the balance of trade was in surplus all through the period, owing to the surpluses in the oil balance of trade. Although the growth rate of real Gross Domestic Product had been impressive in recent times, this however conflicts with the alarming poverty rate recently reported by the National Bureau of Statistics that about 112.519 million out of a population of 163 million (representing a bit over 69%) live in relative poverty conditions in 2011 (see The Punch Newspaper of Tuesday February 14, 2012), just as the Human Development Index (HDI) has consistently been below 0.5, indicating that the growth of the economy has not translated into improved living standards. Fundamental development problems, no doubt, loom large and conscious, decisive steps must be taken to position the country

to reap the benefits of being integrated in the global market, as well as shield it from the dangers arising there from. This is what this paper sets out to do.

3. Review of Selected Literature

The prescription of globalization, according to Anyanwu (2006, p.56), is "to liberalize national and global markets in the belief that free flow of trade, finance and information will produce the best outcome for growth human welfare". Consequently, much empirical/experimental research has been conducted to investigate the effects of globalization through its channels/indicators on economic growth and human development in various regions, sub-regions and countries. The result of the researches have been somewhat divergent, so much so that globalization has been described as a two-edged sword that has brought benefits to some and misery to others (Zuma,2003 as cited in Onwuka and Eguavoen, 2007; Aluko, 2003). Corroborating this view, Obadan (2003) opines that globalization has remained a powerful force shaping world economies for good or for ill. The New Partnership for African Development lends its voice to the polls of opinion when it asserts that Africa has been marginalized from the globalization process, and a vast majority of her people socially excluded and that "in the absence of fair and just global rules, globalization has increased the ability of the strong to advance their interests to the detriment of the weak, especially in the areas of trade, finance and technology, just as it has limited the space for developing countries to control their own development, as the system has no provision for compensating the weak". (NEPAD, 2001, p. 10, section 33).

Employing regression analysis to investigate the relationship between globalization and human development in a cross-section of about 150 countries, Sabi (2007) finds evidence for existence of a relationship between globalization (using Economic Freedom Index (EFI) as proxy) and human development, though the relationship is strong for only high income countries. He suggests that globalization is perhaps important for human development only after certain levels of income growth. Using the generalized least squares regression technique with Chinese Provincial data, Wu and Yao (2012) find that increased openness to trade and capital flows tends to lower income inequality. On the other hand, using panel data containing an index of globalization covering its three main dimensions (economic, social and political), also disaggregated for 33 African countries in 1970 – 2000, Anyanwu (2006) finds that the overall index of globalization has no effect on Africa's economic growth, and that among the three dimensions, only the social dimension is positively and significantly related with growth.

In this section, we review selected literature on the effects of some key channels/indicators of economic globalization (trade openness, financial openness and migration) on human development and economic growth.

3.1 Effect of trade openness on economic growth and human development

Trade openness which is the result of trade liberalization, i.e. removal of barriers to the flow of goods and services across national boundaries is a global macroeconomic variable affecting various economies either adversely or positively. The liberalization of trade is seen as a means of integrating economies with the global market, with the expectation that this would result in improvement in production and consumption of resources globally, i.e. improvement in economic growth rate and enhancement of human welfare. However, this expectation has not been fully realized as countries that have fully opened up their economies have benefited in varying degrees. It has been argued (empirically) that the highly developed countries have derived more benefits from international trade than the less developed countries. As a matter of fact, the weakness of the manufacturing sub-sector (which is a key sector envisaged to stimulate growth) in underdeveloped/emerging market economies has been attributed to increase in the demand for imported goods, made possible by unbridled trade openness which has rendered the countries dumping grounds for foreign, relatively cheaper goods, acting as a disincentive to indigenous manufacturing firms, which are unable to compete with foreign manufacturers in highly developed countries. Apart from weakening the local manufacturing sub-sector, trade liberalization has also tended to reduce government revenues in the LDCs as significant portions of government revenues particularly in sub-Sahara African countries is from tariffs imposed on imports (Alaba, 2006). The reduction in government revenue adversely affects government's capacity to provide infrastructure and public goods and services needed to enhance human welfare and create the enabling environment required for businesses to thrive. It also creates room for excessive borrowings which if not judiciously and rationally utilized, could translate into unproductive debt, further plunging the country into deeper economic woes.

The prevailing scenario in the world today is that the highly developed economies have benefited maximally from international trade by expanding the markets for their output (albeit detrimentally) to the less developed countries, while at the same time protecting their economies from imports originating from the LDCs. The developed countries still have protection in different sectors like agriculture, steel, textile, etc. (Rabbanee, Haque and Hasan, 2010). Trade restrictions by developed countries cost LDCs at least U.S. 40 billion a year in foreign exports and lower their Gross National Product (GNP) by more than 3% (Todaro and Smith, 2005). Moreover, there is clear and documented evidence that the volume of trade among developed countries far exceed the

volume of trade between developed countries and the less developed/emerging market countries, especially those of sub-Sahara Africa. The African Growth and Opportunities Act (AGOA) of 2000 which aims at enhancing trade and investment between the United States and sub-Sahara African (SSA) countries has not done much to arrest this ugly trend. In 2008, the United States' import from SSA under the AGOA was $66.3 billion, with oil import accounting for about 92.3% of that amount and non-oil import accounting for a paltry 7.7% or just $5 billion (Usman, 2009).These statistics reveals that in actuality, the AGOA was conceived as a vehicle to siphon Africa's oil to fuel the US economy.

Empirical study by Ndiyo and Ebong (2003) has shown that trade openness negatively impacted on the growth of Nigeria's economy in the 1970 to 2000 sample period. Similar study by Ogujiuba, Oji and Adenuga (2004) however shows that there is no long-run significant relationship between trade openness and Nigeria's economic growth, though they aptly warned that unbridled openness could have deleterious implications for growth of local industries, the real sector and government revenue.

Contrary to insinuations that globalization (which has been described as the spread of capitalism across the world) reduces the size of the government and expands the size of the market, Rodrik (1998) has proven that there exists a positive, strong and robust association between an economy's exposure to international trade and the size of its government. This correlation which holds for most measures of government spending in selected low and high income countries was attributed to the fact that government spending plays a risk-reducing role in economies exposed to significant amount of external risk. Government expenditures in such economies are used to provide social insurance against external risk. Excessive government expenditure has been proven to be detrimental to private investment if it is not productive and this could ultimately adversely affect economic growth and human development.

However, empirical researches have also shown that several countries have benefited from openness. For example, in a study to investigate the effect of globalization on economic growth, Ray (2012) finds that openness has had significant positive impact on the growth rate of India's GDP. China's rapid economic growth since the strategic transformation of "Reform and Opening Up" in the late 1970s has been attributed to high exports, buttressed by low-cost manufacturing advantage, and supported by low consumption and high savings rate, lifting the economy to the second largest in the world in terms of trade volume and Gross Domestic Product (Fung and Peng, 2012). Empirical study by Sun and Heshmati (2010) demonstrates that increasing participation in the global trade helps China reap the static and dynamic benefits, stimulating rapid national economic growth.

3.2. Effect of financial openness on economic growth and human development

Financial liberalization/openness also has serious implications for growth and human development. It has been argued that financial liberalization has pervasive effects on the economy and society at the microeconomic as well as the mesa-economic level (Singh, 2011), and it is often associated with higher rates of economic growth (Prasad, Rogoff, Wei and Rose (2007); Bekaert, Harvey and Lundblad, 2009), though no empirical evidence has yet emerged for the existence of a robust positive relationship between financial openness and economic growth. The argument advanced by advocates of capital account liberalization is that it engenders the flow of capital particularly to less developed economies where they are more desired for development. Focusing on the impact overtime of capital account liberalization on capital flows in countries at different levels of income per capita, Reinhardt, Ricci and Tressel (2010) find evidence for the prediction of the neoclassical theory that less developed countries with open capital accounts tend to experience net capital inflows, while more developed countries tend to experience more capital outflows, conditional on various countries' condition, but that in countries with closed capital accounts, net capital inflows are not systematically correlated with the level of economic development. While some countries have derived much benefits from it, others have either not enjoyed higher economic growth or have even experienced severe crisis and recessions in the years that followed liberalization (Fratzscher and Bussiere, 2004; Prasad *et al,* 2007).

One of the potential benefits of financial globalization identified by Snoy (2000) is that the flow of capital into transition countries makes significant contribution to growth, as savings in those economies are low and financing costs are high owing to underdeveloped financial system. He however advised that the opening of capital account (i.e. financial liberalization) "must be carried out in an orderly, gradual and well sequenced manner, keeping its pace in line with the strengthening of countries' abilities to sustain its consequences" (Snoy, 2000, pp. 193-194).

The empirical literature is still very much divided on whether financial liberalization benefits economies, and if so what the necessary prerequisites and conditions are (Fratzscher and Bussiere, 2004). A reason that has been fingered for the inconclusiveness of empirical research on the financial openness-growth nexus is the usage of different econometric techniques which makes harmonizing the results difficult (Garita, 2009). Fratzscher and Bussiere (2004) argue that a key reason for the elusive evidence is the existence of a time-varying relationship between openness and growth (overtime), implying that countries tend to gain in the short term immediately following capital account liberalization, but may not grow faster, or even experience temporary growth reversal

in the medium- to long-term. As a matter of fact, their study found substantial evidence for the existence of such intertemporal trade-off for 45 industrial and emerging market economies.
In a study to investigate the impact of financial sector liberalization on the Pakistani economy in the 1972-2006 sample period, Chaudhry (n.d.) employs time series analysis in the estimation of bivariate and multivariate models specified, and finds a significant positive impact of financial liberalization variables on economic growth and investment. Similar study by Adam (2011) to investigate the impact of financial openness induced growth on poverty reduction in Ghana between 1970 and 2007, finds positive long-run relationship between growth and financial liberalization, but argues that financial liberalization should be embarked upon with the poor in mind. Empirical work by Bekaert, Harvey and Lundblad (2007) has also shown that equity market openness and capital account openness are indeed associated with growth of Chinese economy.
The World Bank which is one of the institutions at the forefront of promotion of economic liberalization, also admits in its report that:
"Contrary to expectations, financial liberalization did not add much to growth, and it appears to have augmented the number of crises. As expected, deposits and capital inflows rose sharply as a result of liberalization. But other than in a few East Asian and South Asian countries, capital markets did not provide resources for new firms. Number of stock market listings declined, even in the newly created markets in the transition countries that were sometimes used for privatizations. Also, although relevant time-series data on access are weak, and contrary to expectations, it appears that access to financial services did not improve substantially after liberalization". (World Bank (2005b, p.21), as cited in van der Hoeven and Lubker (2006, p.17)).
Obstfeld (2009), corroborating the World Bank, notes that there is strikingly little convincing documentation of direct positive impacts of financial opening on welfare levels or growth rate in developing countries, rather it appears to raise the frequency and severity of economic crises.

3.3. Effect of international migration on economic growth and human development

Although movement of labour across national borders is not as free as those of finance and goods and services, globalization is also believed to have contributed to higher migratory mobility of people considering that the number of people who are willing and ready to emigrate has grown on account of the fact that the more liberal and rapid dissemination of information has made it obvious that there are disparities and inequalities between regions in terms of development, and that migration to another country augments the human development choices available to people in all material aspects (UNDP, 2009; UNCSD, 2012). According to UNCSD (2012), migration has been recognized for its increasing importance and relevance to the social, economic and environmental dimensions of sustainable development, as well as for its influence on all regions of the world. It is thus a key channel through which globalization affects economic growth and human development, either for good or for ill, through its dimensions of emigration and immigration, though the positive effects of international migration far outweighs the negative effect in the new waves of globalization.
Two divergent views on the relationship between migration and development have been identified in the literature. These are the balanced growth approach and the systemic view/approach. While the former stresses that by alleviating unemployment and providing economic support through remittances and development of migrants' skill, migration enhances development in countries of origin, narrows income disparities, converts 'brain drain' to 'brain gain' and eventually makes migration unnecessary, the latter (i.e. the systemic view) is opposed to the former and does not agree that migration through remittances and skill acquisition and development, automatically accelerates human and economic development in the country of origin, but that it often distorts the development process through 'brain drain' widening income inequalities (IOM, n.d).
It should be noted that though remittances from migrants constitute significant proportion of development finance in migrant's home countries, it has also been blamed for the widening gap between the rich and the poor. As a matter of fact, Anyanwu (2011a) observes in his study of the impact of international remittances on income inequality in African countries in the 1960 – 2006 sample period that international migrants remittances have a significant positive impact on income inequality. Specifically, after instrumenting for endogeneity of remittance, he observed that a 10% increase in remittances as a percentage of GDP, led on average to a 0.013% increase in income inequality in Africa. A key result of high inequality is that economic growth (driven partly from international remittances) delivers much less in terms of poverty reduction (Anyanwu, 2011b).

4. Theoretical Framework

Trade openness or liberalization as a channel of globalization, is hinged on the classical theories of trade put forth by early economists such as Adam Smith, David Ricardo, etc. These theories which are well documented in the international trade literature emphasize that openness paves way for rapid economic growth through unimpeded access to variety of resources, goods and services, acquisition of technology, etc., which ultimately results in improvement in living standards within nations participating in it.
On the issue of the effect of financial flows (openness) on economic growth and human development, it has been

established theoretically that financial liberalization has positive impact on the development of the real sector, with possible causation from financial globalization to economic development and growth (McKinnon, 1973 and Shaw, 1973, as cited in Sabi, 2007). Economic development and growth have also been identified as the most reliable source of poverty reduction. Theoretically, the channels through which increased financial flows provide direct benefits which in turn help reduce poverty and enhance human welfare include the augmentation of domestic savings, reduction in the cost of capital (i.e. interest rate), increase in productivity through transfer of technological know-how and stimulation of domestic financial sector development (Prasad *et al*, 2007). As a matter of fact, orthodox theory suggests that as a result of greater risk sharing between countries which financial liberalization entails, there should be no welfare losses. Greater risk sharing is envisaged to engender greater smoothing of consumption and/or growth trajectories for developing countries (Singh, 2011).

The effect of migration on growth and welfare also has its theoretical underpinning. The oldest and best known theory of international migration is the neoclassical macro theory of migration and was developed originally to explain labour migration in the process of economic development. It states that international migration like its internal counterpart, is caused by geographic differences in the supply of and demand for labour. Countries with a large endowment of labour relative to capital have a low equilibrium market wage, while countries with limited endowment of labour relative to capital are characterized by high-market wage. The resulting differential in wages causes workers from the low-wage country to move to the high-wage country. Consequent upon this, the supply of labour decreases and wages rise in the capital-poor country, while the supply of labour increases and wages fall in the capital-rich country, leading at equilibrium, to an international wage differential that reflects only the costs of international movement, pecuniary and psychic (Massey et al, 1993).

This study builds on the above theories. In brief, the theories suggest that unhindered flow/movement of goods/services, finance (capital) and labour across national borders stimulate growth and promote human development.

5. Description of Variables, Models Specifications and Methodology

5.1 Definition/Description of Variables

Financial Openness (FOPN): Two measures of financial openness suggested by Lane and Milesi-Ferreti (2001, 2006) as cited in Calderon and Kubota (2008) are the *outcome* measures defined as:

$$FOPN1=LOG[(FA+FL)/GDP*100\%]$$

$$FOPN2) = LOG[(FL/GDP) * 100\%]$$

Where LOG =Natural Logarithm; FA = Foreign Assets; FL = Foreign Liabilities; GDP = Gross Domestic Product at basic market prices.

For this study, we adopt the first measure of financial openness (FOPN1)

Data for the FA, FL variables are obtained from the Balance of Payments analytical statements, while GDP data are obtained from the real sector statistics, both, in the Central Bank of Nigeria Statistical Bulletin, 2011.

Trade Openness (TOPN): This is defined as TOPN= (EXPORT+IMPORT)/GDP. Source of data for the variables used for the calculation is Central Bank of Nigeria Statistical Bulletin, 2011.

Net Migration Rate (NMR): This is measured as the difference between immigration and emigration, per 1000 of the population. Source of data for this variable is the Central Intelligence Agency (CIA) World Fact Book.

Human Development Index (HDI): This index was introduced by the UNDP in 1990, and it is considered a standard and more holistic measure of well being or living index. It is based on three goals of development – longevity, knowledge and PPP-adjusted income and takes on values between 0 and 1, with zero representing lowest level of human development and 1 representing thehighest (Todaro and Smith, 2005). Source of data for the Index is United Nations Development Programme (UNDP) annual human development report (www.hdr.undp.org).

RGDPG: Growth rate of real Gross Domestic Product. Data for this variables is sourced from International Monetary Fund(IMF)–World EconomicOutlook(WEO) database, 2012.

5.2. Model specifications and method of estimation

To investigate the effects of globalization (through the channels of trade openness, financial openness and migration) on economic growth and human development in Nigeria, we specify our models empirically as:

$$RGDDP = \alpha_0 + \alpha_1 TOPN + \alpha_2 FOPN + \alpha_3 NMR + \xi \ldots\ldots 5$$

$$HDI = \beta_0 + \beta_1 TOPN + \beta_2 FOPN + \beta_3 NMR + \mu \ldots\ldots 6$$

The variables are as previously defined. ξ and μ are the error terms. Equation 5 is aimed at investigating the effects of trade and financial openness, and migration on economic growth, while equation 6 aims at investigating the effects of same variables on human development.

The theoretical (*a priori*) expectations are $(\alpha_1, \alpha_2, \alpha_3) > 0$; $(\beta_1, \beta_2, \beta_3)>0$.

The Ordinary Least Squares (OLS) estimation technique will be employed to estimate the parameters of the above models. Annual time series data for the variables for the period – 1999 to 2011 will be used for the

estimations.

6. Results and Discussions

6.1. Presentation of results

The results of the estimations of equations 5 and 6 after correcting for autocorrelation and other associated problems are presented as equations 5* and 6* respectively. Note: The preliminary least squares estimation results (not shown here) were not satisfactory. With low R-squared and R-Bar –Squared, DW statistics indicating the presence of positive autocorrelation and insignificant F-statistic and t-ratios (in the OLS estimation of equation 6), we proceeded to correct the observed errors with the Cochrane-Orcutt iterative process, assuming second and third order autoregressive schemes respectively.

$$RGDDP = 66.4984 - 57.6070TOPN - 7.9873FOPN + 9.3431NMR$$
$$(10.0626) \quad (-6.1179) \quad (-6.1569) \quad (5.2407)$$

R-squared = .93451, R-Bar-Squared = .86902, F-stat. [F(5, 5)] = 14.2690, DW-statistic = 1.9623………5*

$$HDI = .63723 - .18293TOPN - .025384FOPN + .0021330NMR$$
$$(22.5429) \quad (-4.8250) \quad (-4.4727) \quad (.30156)$$

R-Squared = .89976, R-Bar-Squared = .69929, F-stat. [F(6, 3)] = 4.4882, DW-statistic = 2.2779….6*

The T-ratios are in parentheses under the coefficients.

6.2. Analysis and Discussion of Results

The summary statistics indicate that the estimated models have high goodness of fit as revealed by the R-squared values of over 93% and approximately 90% in Table 2A and 2B respectively. The F-statistics of 14.2690 (Table 6A) and 4.4882 (Table 6B) pass the test of statistical significance at the 0.6% and 12.3% level respectively. This is an indication that the joint effect of the channels of globalization on economic growth has been more significant than the joint effect on human development. The DW-statistics of 1.9623 and 2.2779 for the RGDP and HDI equation respectively, both pass the test of zero-autocorrelation at the 5% level. The models are therefore valid and can be relied upon for policy formulation and analysis.

An examination of the explanatory variables in both estimations reveals that with the exception of NMR variable, the signs on the coefficients of TOPN and FOPN do not conform to *a priori* expectations in both estimations. Furthermore, each of the explanatory variables significantly explain economic growth variable (RGDP), as their t-ratios indicate that they easily pass the test of statistical significance at the conventional levels. However, only the NMR variable fails the test of statistical significance in the HDI equation. Thus, its effect on HDI within the period under review was not significant.

6.3. Implications of Results with Some Recommendations for Policy Consideration.

The significantly negative coefficient of trade openness in both estimated results connotes that trade openness adversely affected economic growth and human development within the sample period and reveals that the nation is highly-import dependent and weak in export orientation. This suggests the need to boost local production of goods and services and calls for revival of the nation's industrial, agricultural sectors, etc. so as to meet demand for goods and services and reduce dependence on import. It also suggests the need to diversify the nation's export commodities and markets. (Osuntogun, Edordu and Oramah, 1997). Diversifying her export market implies targeting other developing/emerging market economies as the destination for the country's export commodities instead of fruitlessly striving to get her export items to developed economies' markets where they are restricted. Diversifying her export commodities implies identifying commodities/services that can be easily produced in the country (for which she has both absolute and/or comparative advantage), expanding their production and exporting them to countries where they are needed.

Similarly, the negative and significant coefficient of financial openness variable in both results signifies that financial liberalization/integration adversely affected economic growth and human development within the period. This is attributable amongst other factors, to weakness of the nation's financial system, the recent global financial crisis, etc. This calls for conscious and deliberate effort at developing or strengthening the nation's financial system (banking and all other non-banking financial institutions, including the nation's capital market) to position it to reap the benefits of being integrated in the global financial system as well as insulate it from negative shocks arising there from.

The net migration rate (NMR) variable was observed to be positively related to economic growth and human development within the period covered by the study, though the relationship was not significant for human development. This implies that migration positively and significantly affected economic growth (through the supply of labour, introduction of new skills and expertise, payment of taxes, foreign remittances from emigrants or Nigerians in the diaspora, etc), but its effect on human development was not significant. This could be attributed to the fact that immigrants (which were more in number than emigrants in most of the years sampled)

contributed to the expansion of the population, which in turn engendered decrease in resource consumption per capita, accentuated by low production/output, as demand for life sustaining resources outstrips supply. However, considering that economic growth (to which immigrants significantly contribute), if well handled, could lead to improvement in welfare, it is expedient that Nigeria's government takes measures to reduce the incidence of national insecurity in the country to make the country the destination of choice for "quality" immigrants. It should also be mentioned that remittances from Nigeria's emigrants also contributed significantly to the wide income gap or inequality, which has tended to adversely affect the welfare of a large number of the population.

According to Rodrik (1997), globalization requires strong institutions at home. In the absence of such institutions, globalization is likely to foster domestic social conflicts which are damaging not only in their own right, but are also detrimental to economic growth in the long run. Nigeria's government therefore needs to take bold step towards strengthening the nation's institutions (health, education, legal, financial, research and development, political, etc), making them relevant to positioning the economy to benefit maximally from the globalization process, as well as mitigate its negative effects.

7. Conclusion

Financial and trade openness both hurt economic growth and human development in the country within the democratic era from 1999 to 2011. However, we are careful not to draw the inference from our results that economic liberalization (trade and financial openness) is inherently too risky and that Nigeria should retreat into stronger forms of protection or capital control, as it is not openness *per se* that matters, but how the country handles it (Rodrik, 1997). What the country needs is selective liberalization. Sectors of the economy that can compete effectively and favourably in the global market may be liberalized, while those that cannot compete could be protected (not excessively) and developed until they are strong enough to compete globally, though protection itself does not guarantee increased productivity and if it is excessive, it may weaken the incentive to produce (Prebisch, 1959, as cited in Rodrik, 1997), just as excessive capital control could adversely affect capital inflows.

Democratic system of government may be a precursor of growth and human development in open economies, but in the absence of the political will to position the country to reap the benefits of globalization, democracy may be incapacitated, and growth and improved welfare, elusive. The recommendations of this paper require strong political will.

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