

**GOVERNMENT EXPENDITURE SHOCKS AND MACROECONOMIC
PERFORMANCE IN NIGERIA: A DSGE APPROACH**

BY

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BEING

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2018

DECLARATION

I, JOLAADE Ayobami Aminat, hereby declare that this dissertation is my original work and that no portion of this work has been or will be submitted in support of an application for another degree or qualification of this or any other Universities or other institution of learning.

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CERTIFICATION

This is to certify that this research work, written by JOLAADE Ayobami Aminat was supervised and approved in partial fulfilment of the requirements for the award of Master of Science (M.Sc.) Degree in Economics of the Department of Economics and Development Studies. Covenant University, Ota, Ogun State, Nigeria.

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DEDICATION

I dedicate this research work to God Almighty, whose grace and mercies were evident all through my programme.

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ABSTRACT

Fiscal policy, as history has shown, has become a major bail-out tool and run-to option whenever the economy is experiencing severe crises. Government expenditure is increased during times of recessions while it is lowered during an economic upturn. Due to the scarceness of economic resources, especially in a developing country as Nigeria, it is essential to empirically investigate the macroeconomic effects of government expenditure shocks to the economy, which is the objective of this study. This study builds up a dynamic macroeconomic model that includes several features that are peculiar to the Nigerian economy such as the large presence of Hand-to-Mouth (HTM) Households, sticky prices and wages, an indebted government and a disaggregated government expenditure. This model is considered under two different financing options and different results are obtained in both scenarios. The findings of this study reveal that government investment is a more effective but dwindling component of government expenditure than its consumption counterpart. This paper recommends that the Nigerian government should make great efforts to increase its investment expenditure and should also employ a mix of the different financing options in order to reap maximum returns in the economy.

Keywords: Government Investment, Government Consumption, Shocks, DSGE, Nigeria