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DOES GOVERNMENT FISCAL EXPENSE AFFECT INFLATION AND CROWDS OUT INVESTMENT IN THE ECOWAS REGION?

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Abstract

The study investigates the effect of fiscal spending on inflation rate and investment in the ECOWAS. The fiscal spending considered are the general government final consumption expenditure, military expense and external debt. The ECWOAS countries are categorized according to their colonial origin, that is, Anglophone and Francophone. Data were obtained from Word Development Indicators for all these variables alongside real effective exchange rate between 2001 and 2017. The panel fixed effect shows that fiscal spending significantly affects private investment. Specifically, crowding out effect exists in ECOWAS as a whole. Also, general government final consumption and external debt have positive and significant effect on inflation rate in ECOWAS as a whole, Anglophone and Francophone countries. However, a crowding in effect subsists in the Anglophone countries while crowding out effect was observed in the Francophone countries.

Keywords: fiscal expense, inflation rate, investment, Panel data, ECOWAS

***JEL Classification**: E62, E31, E22, C13, N97*

1. INTRODUCTION

The private sector has a leading role to play in poverty reduction in West Africa. Arguments in this regard, have emphasized that private investment is vital for promoting broad-

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based and sustained growth that will help drive sustained development and poverty reduction in economies (Handley *et al*, 2009). Empirical research also has confirmed a much larger role of the private investment in the growth process as compared to the public investment (Reinhart and Khan, 1989). The importance of private investment for growth and development in the developing nations cannot be over emphasized. However, equally important to this fact, is the response of private investment to changes in economic policies.

There has been a wide-range of economic difficulties encountered by many developing countries of the world, most especially in the early 1980s, this include the balance of payments deficit, rising inflation rates, growing foreign debt burdens, and falling growth rates. These poor economic conditions have obligated policy makers to adjust and review development strategies. One of such strategies is for some countries to come together to form a body/community aimed at a common goal; to enhance growth and development in the region. One of such economic region is the Economic Community of West African States (ECOWAS)[4]. Included in the objectives of ECOWAS is the integration and encouragement of private investment.

The authorities in the country members are also known for the use of fiscal stance to finetune the economy. However, this government spending tends to affect private investment and inflation rate. On the one hand, increase in government spending leads to increase in income, increase in demand and hence increase in investment. On the other hand, expansionary fiscal stance will, all things being equal, lead to increase in interest rate. With higher interest rates, the cost for funds to be invested increases and affects their accessibility to debt financing mechanisms. This leads to lesser investment ultimately and crowds out the impact of the initial rise in the total investment. Received evidence reveals that the share of private investment in GDP is very low compared to the share of government spending in GDP. Specifically government spending as a percentage of GDP in ECOWAS rose from 12.3% in 2001 to 13.7% in 2009 and to 14.4% in 2015 while private investment hovered around 2.86% in 2001 to 1.41% in 2010 and 2.46% in 2015. This suggests that despite large increase in government expenditure, private investment appears not to be encouraging.

Government spending does not only influence private investment but it also influences inflation rate. In theory, government expansionary fiscal stance can trigger inflation and this could be severe when the absorptive capacity is low. Information from the World Development Indicators reveals that on average, inflation rate in ECOWAS countries have been on the increase, rising from 67.5% to 100% to 129.7% in 2001, 2010 and 2015 respectively. Over time, ECOWAS countries have had several fiscal policies, however, little or nothing is known about why such policies geared towards a favorable economy has not propelled significantly the level of economic growth and development in the economies.

Several studies have investigated the effects of government spending on inflation and investment. The very recent include Malik (2013), Jalil *et al*. (2014), Akpo *et al*. (2015), Fan *et al*. (2016), Omojolaibi *et al* (2016); and Beck-Friis and Williams (2017). However, virtually all these studies are country-specific. Studies that focused on panel data analysis only include very few ECOWAS countries. Government of ECOWAS could have separate macroeconomic policy

4 ECOWAS comprises fifteen country members namely: Cape Verde, Gambia, Ghana, Liberia, Mali, Nigeria, Sierra Leone, Benin, Burkina Faso, Guinea, Guinea-Bissau, Cote d I'voire, Senegal, Niger and Togo.

coordination that will benefit the member state. It will be interesting to focus strictly on ECOWAS country members so that the findings could be of help to the policy makers in this economic community. Even in ECOWAS, it is important to analyze government spending investment and inflation rate based on the type of colony. Some ECOWAS members are colonized by the British while some are colonized by the French. The influence of the colonial country on the colonized country members may not be negligible. A pointer to this fact is that overtime, the colonies of Britain seem to thrive more than the colonies of France. Hence, this study seeks to look into the impact that the fiscal policy of the sub-groups have on the private investment and inflation separately. After the introduction, the next section reviews some theoretical and empirical works. This is followed by the methodology and then the results while the last section concludes the findings.

2. LITERATURE REVIEW

Many theories have proposed the direction of effect of government spending on private investment and inflation. Starting from the Real Business Cycle (RBC) model, government fiscal shock (financed by lump-sum taxes) will result into a decrease in consumption and will increase employment (through the negative wealth effect), which, in turn raises the returns on capital and boosts investment (Kasselaki and Tagkalakis, 2016). But the Keynesian model predicts either crowding out or crowding in investment. In the basic crowding out model, increase in government spending drives down or even eliminates private sector spending.

Specifically, if government participated actively in the economy; say through expansionary fiscal policy, interest rates would increase, rafter-tax income would fall and wages would rise all of which dampen firms' profitability and by implication private investment. An example of how this theory holds is in the area of government funded infrastructure development projects, which in turn, can discourage private enterprise from taking place in the same area by making it undesirable or unprofitable. Meanwhile, this argument assumes an economy in the long run, operating at full employment equilibrium level with no excess capacity; hence, investment and savings are highly interest rate elastic (Sineviciene & Vasiliauskaite, 2012). However, given that the short term interest rate is a policy variable controlled and positioned exogenously by the Central Bank, an automatic rise in the interest rate following an increase in consumption is rarely the case. Therefore, if the Central Bank holds the interest rate stable in the face of increase in government spending, the indirect effect on investment is zero. Conversely, the crowding in model stipulates that increase in government spending on public infrastructure, in building governance institutions, and in maintaining security tend to facilitate investment and also increase output which will in turn crowds in investment. From the foregoing, the effect of government fiscal spending is indecisive.

The fiscal theory of price level, postulated by Leeper (1990), and extended by Sims (1994), and Woodford (1994, 1995, 2001) suggests that expansionary fiscal spending triggers the price level. Therefore, to control inflation rate, government must run a balanced over the course of the business cycle, meaning they must not run a structural deficit. Sims (2011), Jalil *et al* (2014), Beck-

Friis and Williams (2017), Kliem *et al* (2016) are some of the numerous studies that based their research works on this theory.

From the theoretical review, it is clear that government spending does not affect investment directly. Expansionary fiscal policy will, all things being equal, affect interest rate, raises cost of capital and then crowds out investment. However, this may not be the case if the monetary authorities intervene to dampen the effect. Though the monetary intervention could work, it will necessarily lead to inflation. Hence whether government spending influences investment or not depends on the action of the monetary authorities but the action will unambiguously lead to inflation rate.

2.1 Empirical Review

Several research works conducted over time can be classified to have either similar findings, close to similar findings, or conflicting findings, all hinging on the scope of study (developing, developed countries), and the different disaggregated fiscal variables adopted by researchers in the course of the research. However, in these studies, there exist a lot of similarity in the findings, particularly validating the crowding out effect and rising inflation following expansionary fiscal spending.

Alesina *et al* (2002), used a standard investment model with convex adjustment costs as with Abel and Blanchard (1986) to evaluate the effects of fiscal policy on investment using a panel of OECD countries and found a significant negative effect of public spending, principally of its wage component on profits and on business investment. On the contrary, various types of taxes had negative effects on profits; however, the effects of government spending on investment are larger than those of taxes. This result being consistent with the different theoretical models in which government employment creates wage pressure for the private sector (Abel, 2017).

Afonso and Sousa (2009) used a Bayesian-Structural Variance Autoregressive (B-SVAR) approach to investigate the macroeconomic effects of fiscal policy in Portugal. The result suggested that government spending shocks in general, does have a negative effect on private investment. Ejuvbekpokpo *et al* (2015) did an analysis of the impact of fiscal policy on investment in Nigeria, employing the real business cycle theory. The findings showed that government expenditure and the gross domestic product have significant impact on investment, but corporate income tax has a positive, instead of a negative impact on investment expenditure in Nigeria. The work of Omojolaibi (2016) employed panel co-integration technique in context of Keynesian crowding out/in for the West African countries. This study disaggregated the fiscal policy tools and showed that there exists a significant crowding in effect of government capital expenditure and tax revenue, while the non-tax revenue showed a crowding out effect. Also, another major finding from the study is that tax revenue (both direct and indirect tax) has a positive relationship with private investment.

Kasselaki (2016), employed the SVAR as an estimation technique to empirically investigate the effects of fiscal policy changes on private non-residential investment and output growth in Greece. The study discovered that a tax based fiscal consolidation has a more pronounced negative effect on private non-residential investment relative to an expenditure based fiscal consolidation. The empirical evidence on the inflation effect of fiscal policy are well documented but the very recent are reviewed due to lack of space. Sims (2011) employs fiscal theory of price level (FTPL) and the VAR estimation method to investigate the role of

fiscal policy in inflation of the 1970s. The result capitalized on the fact that fiscal policy can be a primary transmission or source for the changes in the inflation rate in the world.

Jalil *et al* (2014), employed the FTPL as well and the ARDL model to empirically analyze the impact of fiscal deficit on inflation in Pakistan. The findings showed that fiscal deficit is a major determinant of the price level along with some other variables like interest rates, government sector borrowing rates and private borrowing rate. More so an increased fiscal deficit raises the rate of inflation or lowers the capital intensity of production or both. Feldstein (1983) in the quest to analyze the impact of fiscal policy on inflation and capital formation centered on the long run impact of fiscal policies on inflation and capital formation. The monetary growth model, three-asset growth model were in use, the result also indicated that an increased deficit must raise the rate of inflation or lower the capital intensity of production or both.

Surjaningsih *et al* (2012), based the study on the Keynesian theory, the FTPL and the VECM, and linear regression method to examine the impact of fiscal policy on the output and inflation. The result showed that there exist a co-integration relationship between government spending and taxes with respect to output in the long run. Also, that the negative effect of positive government spending to the inflation can be explained by the likelihood of greater multiplier effect of spending on investments (infrastructure) rather than routine expenditure.

Duarte and Wolman (2007), employed the OLS technique and a two-region equilibrium model to empirically analyze the impact of fiscal policy on regional inflation. The findings depicted that fiscal policy can lead to a higher volatility of domestic inflation while leaving the volatility of real output roughly unchanged. Hence, even regional fiscal policies also have spillover effects on the volatility of union-wide and foreign inflation. According to Beck-Friis and Williams (2017), when dissecting fiscal multipliers under the fiscal theory of the price level discovered that in periods of associated fiscal policy, the tax multipliers are positive, while government expenditure multipliers have the same or a constant functional form as their equivalents in the monetary regime, this is to say that in years where fiscal policy is dominant, tax is increased with the primary motive of curbing inflation. Rother (2004) from research concluded that the volatility in discretionary fiscal policies has contributed to inflation volatility and that this may have a destabilizing rather than a stabilizing effect on the economy.

The effect of fiscal spending on private investment and inflation have been captured by several authors and hence, each has added to the body of knowledge in several ways as articulated in the empirical review. However, all of these studies did not point their searchlight to the case of ECOWAS as a whole, nor as country groups based on colony, that is, Anglophone and Francophone. Further, some did not disaggregate the fiscal spending due perhaps to the lack of comprehensive data. These are the gaps that the existing study seeks to fill.

3. METHODOLOGY

This study employs a mix of some theories reviewed earlier, that is, the classical crowding-out effect and the Keynesian crowding in theories. These theories present private investment as being crowded out by public spending (Classical crowding-out effect) and crowded in by recurrent expenditure (Classical crowding-in effect); the idea that government fiscal policy affects the price level in an economy (FTPL) is also not left out. The adoption of a mix of theories hinges on the fact that no single theory links the three variables adopted in this study together i.e. fiscal policy variables, private investment and inflation rate. A

major advantage of this is that, it best explains the peculiarities of the variables as well as the direction of the movement of the economic variables. Hence, these theories form the theoretical foundation upon which this study is based, to justify the introduction of fiscal policy variables in the model.

3.1 Model Specification

Following the theoretical framework that private investment and inflation rate depends on components of fiscal expense, the basic model for the effect of fiscal expense (FP) on private investment (PI) and inflation (INF) is specified in equations 1 and 2

PI=F (FP)……..……..... (1)

INF=F (FP)……...…… (2)

Using the available components of fiscal expense, equations 1 and 2 are modified to yield equations 3 and 4.

PI = F (GEXP, MEXP, LEXDT)…….…… (3)

INF = F (GEXP, MEXP, LEXDT)…….…..……. (4)

Where GEXP, MEXP and LEXPT are correspondingly general government final consumption expenditure, military expenditure and external debt. The econometric specification of equations 3 and 4 after incorporating the control variable, exchange rate, generate equations 5 and 6

$$PI_{it} = \alpha_0 + \beta GEXP_{it} + \beta_2 MEXP_{it3} + \beta L(EXDT)_{it} + \beta_4 L(EXR)_{it} + \varepsilon \quad (5)$$

$$INF_{it} = \alpha_0 + \beta_1 GEXP_{it} + \beta_2 MEXP_{it} + \beta_3 L(EXDT)_{it} + \beta_4 L(EXR)_{it} + \varepsilon_{it} \quad \text{.....(6)}$$

3.2 Method of Analysis and Technique of Estimation

This study employs panel data method with special focus on fixed and random effect developed by Aitken (1935), given its peculiarity over other models. The method is a version of the generalized least square that can be used to perform linear regression when there is a certain degree of correlation between the residuals in a regression model. The Fixed Effect Model controls for the time invariant characteristics (culture, religion, etc) that are unique to the individual and should not be correlated with the other individual characteristics. However, the Random Effect Model accounts for the variation across entities, such variation are assumed to be random and uncorrelated with the independent variables in the model. The basic fixed effect panel data is specified in equations 7 and 8:

$$PI_{it} = \alpha + \beta_1 GEXP_{it} + \beta_2 MEXP_{it} + \beta_3 L(EXDT)_{it} + \beta_4 L(EXR)_{it} + \varepsilon_{it} \quad \text{.....(7)}$$

$$INF_{it} = \alpha + \beta_1 GEXP_{it2} + \beta MEXP_{it} + \beta_3 L(EXDT)_{it} + \beta_4 L(EXR)_{it} + \varepsilon_{it} \quad \text{.....(8)}$$

While the random effect version is given in equations 9 and 10

$$PI_{it} = \alpha + \beta_1 GEXP_{it} + \beta_2 MEXP_{it3} + \beta_3 LEXDT_{it} + \beta_4 LEXR_{it} + u_{it} + \varepsilon_{it} \quad \text{(9)}$$

$$INF_{it} = \alpha + \beta_1 GEXP_{it} + \beta_2 MEXP_{it} + \beta_3 LEXDT_{it} + \beta_4 LEXR_{it} + u_{it} + \varepsilon_{it} \quad \text{(10)}$$

The equations above would be used to access the impact of fiscal policy variables, on private investment and inflation rate in ECOWAS as a whole (i=15), Anglophone countries (i=6)[1], and Francophone countries (i=8)[2][3]. On getting results for all equations, the study seeks to carry out a Hausman test to determine whether the fixed effect model or random effect model would be appropriate for the panel of the ECOWAS and its sub-groups. The null hypothesis of the Hausman test is that the random effect model is the appropriate model in the study; while the alternative hypothesis implies that the fixed effect model is the appropriate model in the study. In order to interpret the result in terms of percentage change (elasticity), the variables, except inflation rate are transformed to their logarithmic value. Additional advantage that this have is to render all the variables unitless so that all series are place on the same measurement, that is, the growth of that variable. This approach also removes to fluctuations arising from the growth of the series over time.

3.3 Measurement issue, sources of data and definition of variables

The variables obtained as a proxy for fiscal spending includes: external debt, military expenditure, and general government final consumption; being expenditure-based fiscal policy. Share of private investment in total investment and percentage change in consumer price index are used as proxy for private investment and inflation rate respectively, indicator all covering the period of 2001 to 2017. The data period was based on data availability for all the variables and countries. Real effective exchange rare is the type of exchange rate considered for the study. Apart from the consumer price index and exchange rate, all other variables were scaled by GDP. Data for the series are sourced from the World Bank Development Indicator (WDI), and the International Financial Statistics (IFS) published by International Monetary Fund (IMF) the reason being the reliability of the data sources and the number of countries involved in the research work.

General government final consumption is defined as cumulative transaction amount on a country's national income accounts which represents government expenditure on goods and services which are used for the direct satisfaction of individual consumption or the collective needs of members of the state as a whole. Military expenditure is defined as the amount of funds dedicated by a nation to raise and maintain the armed forces or other methods essential for defense purposes. The military budgets often mirror how strongly an entity perceives the possibility of threats and how concerned a government is concerned about her defense/safety.

External debt is the total obligations that a country owes to foreign creditors, accompanied by internal debt owed to domestic lenders. The debtors can be the government, corporations or citizens of that country. The debt includes money owed to private commercial banks, other governments, or international financial institutions such as the International Monetary Fund (IMF) and World Bank.

[1] Guinea Bissau, Gambia, Ghana, Liberia and Nigeria, Sierra Leone
[2] Senegal, Mali, Guinea, Cote d'Ivoire, Burkina Faso, Togo, Benin and Niger
[3] Cape Verde is the 15th country but the country was colonized by the Portguese it so, it is neither francophone nor Anglophone

4. FINDINGS AND DISCUSSIONS

4.1: *Descriptive Statistics and pre estimation tests*

Table 4.1a, 4.1b and 4.1c highlights some of the statistical properties of the selected economic variables from ECOWAS as a whole, Anglophone and Francophone countries. The variables are: private investment (PI), inflation rate (INF), general government final consumption (GEXP), military expenditure (MEXP), external debt (EXDT), exchange rate (LEXR), From table (1a), on the average, the private investment in ECOWAS was 20.68% of the total GDP, between 2001 and 2015; however, the average rise in the general price level is 4.56%. Averagely, the general government final consumption, military expenditure and the external debt is 13.44%, 1.17% and 3.65% of GDP respectively.

Further, at the sub-region, the average amount of the foreign debt as a percentage of GDP is 3.65%, the average percentage rate at which it exchanges its currency for another is 5.67%, between 2001 and 2015. Between the periods considered, in the sub-region (ECOWAS as a whole), the highest and lowest values of the economic variables (PI, INF, GEXP, MEXP, LEXDT, LEXR) as specified above are given as:49.79% (Cape-Verde, 2007) and 3.55%(Guinea Bissau, 2006); 5.12%(Senegal, 2015) and 3.57% (Nigeria, 2001); 23.91% (Burkina Faso, 2007) and 5.15% (Nigeria, 2003); 2.46% (Guinea Bissau, 2012) and 0.33% (Gambia, 2003); 7.13% (Liberia, 2004) and 1.42% (Nigeria, 2012) respectively. Table (4.1a) also reveals that virtually all the series are positively skewed, with the exception of inflation and exchange rate that are negatively skewed, the kurtosis statistic also indicates that only one of series of the variables (Exchange rate) is mesokurtic (being on the threshold of 3), while the series of variables: Private Investment, Inflation rate and External Debt are all leptokurtic (highly peaked, being above the threshold of 3) while the series of the variables: general government final consumption and military expenditure which implies that these series have higher tendency of having outliers than the series of the leptokurtic variables. The essence of these two tests (skewness and kurtosis) is to determine whether the series employed follow a normal distribution. However, these tests are not individually sufficient in defining the distribution of the series employed, hence the need for Jarque Berra test. The test indicates that all the series are normally distributed, except the series

of general government final consumption, military expenditure and exchange rate which the Null Hypothesis of normal distribution is rejected at the chosen level of significance.

Table 4.1a: Summary Descriptive Statistics of the variables (ECOWAS as a whole)

VARIABLES	PI	INF	GEXP	MEXP	LEXDT	LEXR
Mean	20.683	4.555	13.440	1.171	3.645	5.666
Median	19.847	4.605	13.648	1.212	3.483	6.157
Maximum	49.789	5.121	23.906	2.460	7.132	8.533
Minimum	3.553	3.569	5.152	0.333	1.418	2.752
Std. dev.	9.693	0.235	3.935	0.482	0.967	1.243
Skewness	0.642	-1.233	0.132	0.116	0.778	-0.222
Kurtosis	3.574	6.478	2.576	2.231	5.488	3.049
Jarque-Bera	11.563	106.066	1.457	3.763	50.260	1.165
Probability	0.003***	0.000***	0.482	0.152	0.000***	0.558
Sum	2895.699	637.774	1881.736	164.031	510.392	793.314
Sum Sq. Dev.	13061.48	7.721	2152.348	32.320	130.060	215.027
Observations	140	140	140	140	140	140

Table 4.1b: Summary Descriptive Statistics of the variables (Anglophone Countries)

VARIABLES	PI	INF	GEXP	MEXP	LEXDT	LEXR
Mean	17.694	4.489	10.247	0.805	3.793	4.971
Median	18.375	4.511	9.922	0.728	3.762	4.456
Maximum	42.037	5.121	18.325	1.777	7.132	8.533
Minimum	5.467	3.569	5.152	0.333	1.418	2.752
Std.	8.013	0.368	3.255	0.360	1.393	1.758
Skewness	0.656	-0.375	0.947	0.983	0.328	1.044
Kurtosis	3.195	2.576	3.213	3.301	3.201	2.777
Jarque-Bera	3.747	1.582	7.729	8.415	1.004	9.383
Probability	0.153	0.453	0.020**	0.0148**	0.605	0.009**
Sum	902.434	228.971	522.628	41.097	193.486	253.541
Sum Sq. Dev.	3210.630	6.786	529.918	6.498	97.116	154.672
Observations	51	51	51	51	51	51

Table 4.1c: Summary Descriptive Statistics of the variables (Francophone Countries)

VARIABLES	PI	INF	GEXP	MEXP	LEXDT	LEXR
Mean	22.511	4.592	15.276	1.388	3.411	6.206
Median	22.701	4.605	14.909	1.413	3.246	6.203
Maximum	39.951	4.708	23.906	2.425	4.418	6.382
Minimum	4.703	4.434	9.047	0.907	2.540	6.104
Std.	6.649	0.081	3.143	0.301	0.453	0.064
Skewness	0.148	-0.396	0.614	0.174	0.695	0.814
Kurtosis	3.433	1.873	3.341	3.445	2.704	4.107
Jarque-Bera	0.826	5.697	4.886	0.961	6.067	11.649
Probability	0.661	0.057*	0.086*	0.618	0.048**	0.002**
Sum	1620.857	330.648	1099.914	99.945	245.651	446.877
Sum Sq. Dev.	3139.010	0.477	701.814	6.452	14.592	0.291
Observations	72	72	72	72	72	72

Source: Authors' computation, 2018

******, **, * indicates rejection of null hypothesis of normal distribution at 1%, 5% and 10% significant levels***

From table (4.1b) above, the average percentage of private investment in Anglophone countries is 17.69% of the total GDP, between 2001 and 2015; however, the average rise in the general price level is 4.49%. Averagely, the general government final consumption, military expenditure is 10.25% and 0.81% of GDP respectively. The average amount of the foreign debt as a percentage of GDP is 3.79%, the average percentage at which it exchanges its currency for another is 4.97%.Between the periods considered, in Anglophone countries, the highest and lowest values of the economic variables (PI, INF, GEXP, MEXP, LEXDT and LEXR) as specified above are given as: 42.04% and 5.47%; 5.12% and 3.57%; 18.33% and 5.15%; 1.78% and 0.33%; 7.13% and 1.42%, 5.53% and 2.75% respectively. From a glance, the table also reveals that all the series of the variables are positively skewed except the inflation rate which is negatively skewed. The kurtosis statistic also depicts that all the series of the variables employed are leptokurtic i.e. highly peaked, except for the series of the variables: inflation rate and exchange rate which are all platykurtic i.e. lowly peaked. The Jarque-Berra test indicates that all the series are normally distributed except the series of exchange rate, inflation rate and private investment which the Null Hypothesis of normal distribution is rejected at the chosen level of significance.

The table (4.1c) above, reveals that the average percentage of private investment in Francophone countries is 22.51% of the total GDP, between 2001 and 2015. However, the average rise in the general price level is 4.59%. Averagely, the general government final consumption, military expenditure is 15.28% and 1.39% of GDP respectively. More so, the average amount of the foreign debt as a percentage of GDP is 3.41%, the average percentage rate at which it exchanges its currency for another is 6.21%. Between the periods considered, in Francophone countries, the highest and lowest values of the economic variables (PI, INF, GEXP, MEXP, LEXDT and LEXR) as specified above are given as: 39.75% and 4.70%; 4.71% and 4.43%; 23.91% and 9.05%; 2.43% and 0.91%; 4.42% and 2.54%; 6.38% and 6.10% respectively. The table also shows that all the series of the variables are positively skewed except the inflation rate which is negatively skewed. The kurtosis statistic also depicts that all the series of the variables employed are leptokurtic i.e. highly peaked, except for the series of the variables: inflation and external debt which are all platykurtic i.e. lowly peaked. The Jarque-Berra test indicates that all the series are normally distributed, except the series of, private investment, military expenditure and interest rate which the Null Hypothesis of normal distribution is rejected at the chosen 10% level of significance.

The unit root test results reported in the table 2a, reveal that not all the series of the examined variables are stationary as the null hypothesis that the series of each of these variables has a unit root cannot be rejected at any of the chosen level of significance (1%, 5% and 10%) but could only be rejected after differencing them once. The table shows that the series of the fiscal policy variables; government final consumption, military expenditure and external debt adopted in the study are only stationary at first difference. The series of the other variables are stationary at level either with the inclusion of deterministic trend and or the individual intercept. Private investment, control of corruption index, and exchange rate are stationary at level only with the inclusion of an individual intercept, while inflation rate and investment are stationary at level only with the inclusion of deterministic trend, thus they can be said to be trend stationary. The series of the variables of government effectiveness happen to be the only one to be stationary at level with the inclusion of both the deterministic trend and the individual trend. The results of the unit root test in table 2b, reflects that of Anglophone alone. The Levin, Lin and Chu

test for the common unit root was carried out at 1%, 5% and 10% critical levels. The result indicate that all the variables are stationary at levels i.e. none of the series of the variables possess unit root either individually or as a group. This means that the seasonal variation of the variables has been taken care of thus making it fit for regression analysis. Private investment, inflation rate, general government final consumption is stationary at level with the inclusion of both the deterministic trend and the individual trend.

Table 4.1d: Im, Pesaran and Shin Unit Root Test (ECOWAS as a whole)

VARIABLES	LEVEL			FIRST DIFFERENCE			I(d)
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	
PI	--------	-1.9431**	-1.6629	--------	--------	--------	I(0)
INF	--------	1.6456	-1.5494*	--------	--------	--------	I(0)
GEXP	--------	-0.9766	0.3917	--------	-6.4288***	-4.3736***	I(1)
MEXP	--------	-1.9772	-0.4259	--------	-3.1105***	-0.4755	I(1)
L(EXEDT)	--------	0.3689	2.0732	--------	-2.3617***	-1.0545	I(1)
LEXR	--------	-1.7130**	-0.6873	--------	--------	--------	I(0)
INT	--------	-0.6948	-1.3177*	--------	--------	--------	I(0)
CORRUPT	--------	-1.9639**	0.4499	--------	--------	--------	I(0)
GEFT	--------	-1.8888**	-2.5207***	--------	--------	--------	I(0)

Table 4.1e: Levin, Lin and Chu Unit Root Test (ANGLOPHONE Countries)

VARIABLES	LEVEL			FIRST DIFFERENCE			I(d)
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	
PI	0.8914	-11.1295***	-7.3837***	--------	--------	--------	I(0)
INF	3.6563	-3.0829***	-10.2559***	--------	--------	--------	I(0)
GEXP	-0.5830	-2.8388***	-1.9703**	--------	--------	--------	I(0)
MEXP	-4.0840***	-5.6609***	-5.6292***	--------	--------	--------	I(0)
L(EXEDT)	-2.0208**	-1.6067*	0.16548	--------	--------	--------	I(0)
LEXR	3.2499	1.0488	-7.9939***	--------	--------	--------	I(0)
INT	-2.2374**	-6.4208***	-5.9755***	--------	--------	--------	I(0)
CORRUPT	-0.3727	-1.7802**	0.0595	--------	--------	--------	I(0)
GEFT	-0.8277	-2.9568***	-1.8318**	--------	--------	--------	I(0)

Table 4.1f: Levin, Lin and Chu Unit Root Test (FRANCOPHONE Countries)

VARIABLES	LEVEL			FIRST DIFFERENCE			I(d)
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	
PI	1.7096	-1.7253**	-3.3370***	--------	--------	--------	**I(0)**
INF	6.3366	-2.6282***	-1.9481**	--------	--------	--------	**I(0)**
GEXP	2.9772	-0.7080	-1.3637*	--------	--------	--------	**I(0)**
MEXP	-1.7065	4.0718	1.7025	-5.5687***	2.3959	3.8305	**I(1)**
L(EXEDT)	-4.5687***	-1.76516**	0.6470	--------	--------	--------	**I(0)**
LEXR	-0.0518	-4.7056***	-3.4973***	--------	--------	--------	**I(0)**
INT	-2.5308***	2.0994	-0.9546	--------	--------	--------	**I(0)**
CORRUPT	-1.2154	-2.5858***	-1.0433	--------	--------	--------	**I(0)**
GEFT	-1.6878**	-0.4091	-4.3014***	--------	--------	--------	**I(0)**

Source: Author's computation, 2018.

* ***** *** indicate significance at 10%, 5% and 1% critical level respectively. Model 1, 2 and 3 are unit root test without intercept and trend, with intercept and with intercept and trend respectively.***

On the other hand, only military expenditure and interest rate are s stationary at level without the inclusion of deterministic trend and individual intercept, with the inclusion of both the deterministic trend, and the individual intercept. External debt is stationary at level without the inclusion of deterministic trend and individual intercept and with the inclusion of the deterministic trend. Then control of corruption index as well as the exchange rate is stationary at level with the inclusion of the deterministic trend, and the individual intercept respectively.

The results of the unit root test in table 2b, reflects that of Francophone countries alone. From the table, it can be seen that all the series of the variables are stationary at level except military expenditure which is stationary at first difference. Private investment, inflation rate and exchange rate are stationary at level with the inclusion of both the deterministic trend and the individual trend. Only general government final consumption is stationary at level only with the inclusion of deterministic trend. All other variables are stationary at level either without the inclusion of deterministic trend and the individual intercept only, or with the inclusion of deterministic trend only, and or the individual intercept only or a combination of any.

4.2 Estimation Results

Table 4.2a shows that military expenditure, external debt and exchange rate exert a negative influence on fiscal policy in the sub-region. It can be stated vividly from the table that; a 1% increase (decrease) in the defense budget, a 1% increase (decrease) in the foreign debt and an increase (decrease) in the exchange rate by 1%, decreases (increases) the investment by the private sector by an average value of 1.94%, 1.68% and 2.31% respectively. On the other hand, the general government final consumption, military expenditure and the exchange rate has a positive relationship with inflation, hence a negative influence on the economy at large if not well managed.

That is, a 1% increase in general government final consumption in the sub region would lead to a corresponding increase in the rise of the general price level by 0.02%; also, a 1% increase (decrease) in the defense budget, a 1% increase (decrease) in the foreign debt and an increase (decrease) in the exchange rate by 1%, decreases (increases) the rise in the general price level as well by 0.06% and 0.72% respectively. However, the inverse relationship found between external debts and inflation rate in the sub-region, depicts a positive influence of external debts

on the rise in the general price level. A 1% increase (decrease)in the external debts of the sub-region leads to a corresponding decrease in the rise in the general price level by an average of 0.25%. The Adjusted R^2 value of 0.82 and 0.79 in model 1 and 2 respectively, indicates that 82% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 79% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-Statistic which is less than 0.05 confirms that the estimated model in table 4.2a is significant and valid.

Table 4.2b shows the random effect of the model, it indicates that external debt exerts a negative impact on private investment. This implies that as the foreign debt rises, private investment is at a detriment of falling. At a glance, the table reflects that a 1% increase in the external debt brings about an approximate of 2.08% decrease in the private investment in the sub-region. On the other hand, the general government final consumption, and exchange rate has a positive relationship with inflation rate, i.e. as government final consumption increases, the rise in the general price level increases as well; also, as the rate of exchange increases in the states across the sub-region, the inflation rate would be on the high side as well.

Table 4.2a: Impact of Fiscal Policy on Private Investment and Inflation (ECOWAS)

FIXED EFFECT MODEL		
VARIABLES	**Investment**	**Inflation**
General Government Final Consumption Expenditure	-0.070248	0.015657***
Military Expense	-1.935105**	0.057407*
External Debt	-1.684054***	-0.249403***
Real Effective Exchange Rate	-2.309822**	0.718562***
R-squared	0.84	0.81
Adj. R-squared	0.82	0.79
F-statistic(Prob.)	52.06727(0.0000)***	41.32960(0.0000)***
Observations	201	193
DW	0.95	0.57

Note: * ** *** indicate significance at 10%, 5% and 1% critical level respectively.

In addition, the table above explains this; an increase in the general government final consumption and exchange rate by 1% leads to a corresponding increase in the inflation rate by 0.02% and 0.04% respectively. However, there also exist a negative relationship between external debt and inflation rate, as a 1% increase in the external debt induces an average of 0.16% decrease in the inflation rate in the sub-region. The Adjusted R^2 value of 0.08 and 0.36 in model 1 and 2 respectively, indicates that 8% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 36% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-Statistic which is less than 0.05 confirms an overall significance of estimated model in table 4.2b.

The table 4.2c above shows the fixed effect of the model and it indicates that external debt exerts a negative impact on private investment. This implies that as the foreign debt rises, private investment is at a detriment of falling. At a glance, the table reflects that a 1% increase in the external debt brings about an approximate of 8.61% decrease in the private investment in the Anglophone countries as a whole.

Table 4.2b: Impact of Fiscal Policy on Private Investment and Inflation (ECOWAS)

RANDOM EFFECT		
VARIABLES	**Investment**	**Inflation rate**
General Government Final Consumption Expenditure	0.052083	0.019363***
Military Expense	-2.119555	0.014804
External Debt	-2.078114***	-0.162649***
Real Effective Exchange Rate	-1.019349	0.042614**
R-squared	0.10	0.38
Adj. R-squared	0.08	0.36
F-statistic(Prob.)	5.386910(0.004)***	28.54699(0.0000)***
Observations	201	193
DW	0.69	0.15

Source: Author's Computation, 2018
**** ** *** indicate significance at 10%, 5% and 1% critical level respectively***

On the other hand, the military expenditure and exchange rate has a negative relationship with inflation rate, i.e. as military expenditure increases, the rise in the general price level increases as well; also, as the rate of exchange increases, the inflation rate would be on the high side as well. In addition, the table above explains this; an increase in the general military expenditure and exchange rate by 1% leads to a corresponding increase in the inflation rate by 0.17% and 0.14 % respectively. However, there also exist a positive relationship between external debt and inflation rate, as a 1% increase in the external debt induces an average of 1.24% increase in the inflation rate in the sub-region.

Table 4.2c: Impact of Fiscal Policy on Private Investment and Inflation (ANGLOPHONE COUNTRIES)

FIXED EFFECT		
VARIABLES	**Investment**	**Inflation Rate**
General Government Final Consumption Expenditure	-0.158674	0.001166
Military Expense	0.457940	-0.173363**
External Debt	8.607461***	1.243669***
Real Effective Exchange Rate	-1.193979	-0.141895***
R-squared	0.70	0.95
Adj. R-squared	0.66	0.94
F-statistic(Prob.)	17.54349(0.0000)***	135.6913(0.0000)
Observations	69	64
DW	0.88	0.87

Source: Author's computation, 2018
**** ** *** indicate significance at 10%, 5% and 1% critical level respectively***

The Adjusted R^2 value of 0.66 and 0.94 in model 1 and 2 respectively, indicates that 66% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 94% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-Statistic which is less than 0.05 confirms an overall significance of estimated model in table 4.2c.

Table 4.2b above which shows the random effect of the model indicates that external debt and exchange rate has a negative impact on private investment. This implies that as the foreign debt rises, as the exchange rate increases; private investment is being induced to fall. At a glance, the table reflects that a 1% increase in the external debt, as well as a 1% increase in the exchange

rate in the Anglophone countries as a whole, brings about an approximate of 0.81% and 2.72% decrease in the private investment. On the other hand, the general government final consumption has a positive relationship with private investment, that is, as government final consumption increases, private investment increases as well. More so, the general government final consumption has a positive relationship with inflation rate, i.e. as government final consumption increases, the rise in the general price level increases as well; also, as external debt increases, the inflation rate would be on the high side as well. In addition, the table above explains this at a glance; an increase in the general government final consumption and external debt by 1% leads to a corresponding increase in inflation rate by 0.05% and 0.08% respectively. However, there also exist a negative relationship between exchange rate and inflation rate, as a 1% increase in the exchange rate induces an average of 0.14% decrease in inflation rate. The Adjusted R^2 value of 0.18 and 0.42 in model 1 and 2 respectively, indicates that 18% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 42% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-Statistic which is less than 0.05 confirms an overall significance of estimated model in table 4.2d.

Table 4.2e above shows the fixed effect of the model in Francophone countries. It indicates that military expenditure, external debt and exchange rate have inverse relationship with private investment, hence, a negative impact on private investment. This implies that as the defense budget increases, foreign debt raises, as well as a rise in exchange rate; private investment is being induced to fall. At a glance, the table reflects that a 1% increase (decrease) in the military expenditure, a 1% increase (decrease) in the external debt, as well as a 1% increase (decrease) in the exchange rate in the Francophone countries as a whole, brings about an approximate of 3.79%, 3.32%and 5.22% decrease in the private investment..

Table 4.2e: Impact of Fiscal Policy on Private Investment and Inflation (FRANCOPHONE COUNTRIES)

FIXED EFFECT		
VARIABLES	**Investment**	**Inflation**
General Government Final Consumption Expenditure	-0.102896	0.014862**
Military Expense	-3.785069**	-0.215524***
External Debt	-3.317083***	0.234324***
Real Effective Exchange Rate	-5.221856***	0.347932***
R-squared	0.66	0.67
Adj. R-squared	0.62	0.63
F-statistic(Prob.)	17.19555(0.0000)***	17.60807(0.0000)***
Observations	110	107
DW	1.11	0.74

Source: Author's computation, 2018

**** ** *** indicate significance at 10%, 5% and 1% critical level respectively***

Table 4.2f shows the random effect of the model in Francophone countries. It shows that external debt and exchange rate have an inverse relationship with private investment, hence, a negative impact on private investment. This implies that as foreign debt raises, as well as a rise in exchange rate; private investment is being induced to fall. At a glance, the table reflects that a

1% increase (decrease) in the external debt, as well as a 1% increase (decrease) in the exchange rate in the Francophone countries as a whole, brings about an approximate of 1.78% and 3.63% decrease in the private investment respectively.

Table 4.2f: Impact of Fiscal Policy on Private Investment and Inflation (FRANCOPHONE COUNTRIES)

RANDOM EFFECT		
VARIABLES	**Investment**	**Inflation**
General Government Final Consumption Expenditure	-0.307259	0.002433
Military Expense	-4.770763	-0.198512***
External Debt	-1.779172***	0.198709***
Real Effective Exchange Rate	-3.628753***	-0.080255**
R-squared	0.28	0.43
Adj. R-squared	0.25	0.41
F-statistic(Prob.)	10.12789(0.0000)***	19.35925(0.0000)***
Observations	110	107
DW	0.69	0.29

Source: Author's computation, 2018

**** ** *** indicate significance at 10%, 5% and 1% critical level respectively***

More so, external debt has a positive relationship with inflation rate, that is, as foreign debt increases; inflation rate is bound to increase as well. In addition, the table above explains that; an increase (decrease) in external debt by 1% leads to a corresponding increase (decrease) in the rise in the general price level by 0.19%.

However, there also exist a negative relationship between military expenditure and inflation rate, as well as an inverse relationship between exchange rate and inflation rate. A 1% increase (decrease) in the military expenditure and exchange rate induces an average of 0.20% and 0.08% decrease (increase) in inflation rate. In the same vein, the general government final consumption has a positive relationship with inflation rate, i.e. as government final consumption increases, the rise in the general price level increases as well; also, as external debt and exchange rate increases, the inflation rate would be on the high side as well. In addition, the table above explains this at a glance; an increase in the general government final consumption, exchange rate and external debt by 1% leads to a corresponding increase in the rise in the general price level by 0.01%, 0.35% and0.23% respectively. However, there also exist a negative relationship between military expenditure and inflation rate, as a 1% increase in the military expenditure induces an average of 0.22% decrease in inflation rate. The Adjusted R^2 value of 0.62 and 0.63 in model 1 and 2 respectively, indicates that 62% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 63% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-Statistic which is less than 0.05 confirms an overall significance of estimated model in table 4.2e.

The Adjusted R^2 value of 0.25 and 0.41 in model 1 and 2 respectively, indicates that 25% variation in private investment is explained by general government final consumption, military expenditure, external debt and exchange rate. It also indicates that 41% variation in inflation rate in the sub-region is explained by the fiscal policy variables employed and exchange rate. The F-

Statistic which is less than 0.05 confirms an overall significance of estimated model in table 4.2e. It is important to attest whether the estimated model follows the least square technique assumptions, so as to ensure the efficiency and consistency of the model; even after the estimation of the fixed effect model and the Random effect model. In table 4.3a above, only the Jarque-Bera test for the fixed effect model (Model 1) suggest that the residuals are normally distributed since the probability value is greater than the 5% significance level, the other models state otherwise. Hence, the hypothesis of normal distribution for the residuals cannot be rejected.

4.3 Post Estimation

The Breusch-Pagan serial correlation (LM) test result, suggest that the hypothesis of no autocorrelation is rejected since the probability value is less than the 5% critical level. In table 4.2b above, the Jarque-Bera test for model 1 under the fixed effect model as well as both models under the random effect model, suggest that the residuals are normally distributed since the probability value is greater than the 5% significance level. Hence, the hypothesis of normal distribution for the residuals cannot be rejected. The Breusch-Pagan serial correlation (LM) test results suggest that the hypothesis of no autocorrelation is rejected since the probability value is greater than the 5% critical level.

Table 4.3a: Post Estimation Diagnostics Results

Statistical Result (ECOWAS)					
FIXED EFFECT MODEL			**RANDOM EFFECT MODEL**		
Test	**Model 1**	**Model 2**	**Test**	**Model 1**	**Model 2**
Jarque-Bera	1.94 (0.3785)	18.76 (0.00)	**Jarque-Bera**	6.44 (0.03)	11.30 (0.00)
Breusch-Pagan LM	216.70 (0.00)	213.07 (0.00)	**Breusch-Pagan LM**	460.95 (0.00)	438.81 (0.00)

Table 4.3b: Post Estimation Diagnosis Results

Statistical Result (ANGLOPHONE Countries)					
FIXED EFFECT MODEL			**RANDOM EFFECT MODEL**		
Test	**Model 1**	**Model 2**	**Test**	**Model 1**	**Model 2**
Jarque-Bera	1.51 (0.46)	33.26 (0.00)	**Jarque-Bera**	2.01 (0.36)	2.93 (0.23)
Breusch-Pagan LM	17.48357 (0.06)	23.91 (0.00)	**Breusch-Pagan LM**	17.95 (0.05)	47.86 (0.00)

Table 4.3c: Post Estimation Diagnosis Results

Statistical Result (FRANCOPHONE Countries)					
FIXED EFFECT MODEL			**RANDOM EFFECT MODEL**		
Test	**Model 1**	**Model 2**	**Test**	**Model 1**	**Model 2**
Jarque-Bera	2.93 (0.2303)	1.19 (0.55)	**Jarque-Bera**	5.89 (0.05)	854.52 (0.00)
Breusch-Pagan LM	51.97 (0.00)	59.90 (0.00)	**Breusch-Pagan LM**	118.73 (0.00)	136.94 (0.00)

Note: Figures in parenthesis are probability values
Model 1: Private Investment model
Model 2: Inflation rate model

In table 4.2c above, the Jarque-Bera test indicate that only model 1 estimated from the fixed effect model, put forward that the residuals are normally distributed since the probability value is greater than the 5% significance level. Hence, the hypothesis of normal distribution for the residuals cannot be rejected. The Breusch-Pagan serial correlation (LM) test result suggests that there is autocorrelation for all models since the probability value is greater than the 5% critical level.

Table 4.3d: Hausman Test Result

HAUSMAN TEST RESULT	ECOWAS		ANGLOPHONE		FRANCOPHONE	
VARIABLES	**MODEL 1**	**MODEL 2**	**MODEL 1**	**MODEL 2**	**MODEL 1**	**MODEL 2**
GEXP	0.0520	0.0193	0.4065	0.0510	-0.3072	0.0024
MEXP	-2.0781	-0.1626	0.9501	-0.1219	-4.7707	-0.1985
LEXDT	-1.0193	0.0426	-2.7242	-0.1455	-3.6287	-0.0802
LEXR	-2.1195	0.0148	-0.8109	0.0818	-1.7791	0.1987
Chi-Square statistic	0.00(1.000)	0.00(1.00)	0.00(1.00)	0.00(1.00)	0.00(1.00)	0.00(1.00)

Note: Figures in parenthesis are probability values
Model 1: Private Investment model
Model 2: Inflation rate model

The Hausman test in table 4.3d was carried out to determine whether the fixed effect model or the random effect model would be appropriate for the panel of ECOWAS, Anglophone countries and Francophone countries. The null hypothesis of the Hausman test is that the fixed effect model (FEM) and random effect model (REM) do not differ substantially and its rejection implies fixed effect model would be appropriate. The test was carried out using the disaggregated forms of the fiscal policy variables, inflation rate, private investment and exchange rate. The relevant chi-square statistic shows that the variation between FEM and REM is actually not significant at 10% level and as such, the random effect model is preferable to the fixed effect model in capturing the impact of the independent variables on the dependent variable (PI) and (INF) respectively.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the impact of fiscal spending on private investment and inflation rate in ECOWAS regional bloc employing annual data covering 2001 to 2017. Components of government expense, that is, general government final consumption, military expenditure and external debt are examined. Specifically, two models were estimated each representing the impact of fiscal spending on private investment and inflation rate. Utilizing panel generalized least square (GLS) method, the fixed effect and Random effect technique were estimated for the region as a whole and for the each of the country groups to test the validity of Keynesian crowding in/out effect and the Fiscal theory of price level for the variables. Following the random effect that was favoured by the Hausman test, the crowding in effect in ECOWAS was observed, albeit, not significant. However, crowding out effect significantly subsists in the Francophone countries, as the effect of government final consumption expenditure significantly impacted negatively on private investment. This suggests that the Classical crowding out theory can be used to explain fiscal

spending and investment position in this country group. In the case of Anglophone, it is interesting to observe a crowding in effect, since expansionary fiscal stance leads to increase in investment in the sub-region. Further, it was found that external debt crowds out private investment in ECOWAS as a whole, and its sub-groups. Military expenditure has no significant effect on private investment in ECOWAS as a whole, its sub-groups inclusive.

The inflation rate effect of fiscal spending supports the Fiscal Theory of Price Level (FTPL. It must be recalled that this theory centralizes on the idea that government fiscal behaviour affects the price level. our findings reveal that general government final consumption and external debt have positive and significant on inflation rate in ECOWAS as a whole, and the country groups. This is consistent with the results of work of Pelesai *et al* (2013), Sims (2011), Jalil *et al* (2014), Leeper and Leith (2016) among others. Exchange rate have a significant and negative impact on both private investment and inflation rate in all the sub-groups considered in the study.

Following these findings, some policy implications can be drawn. The economic idea of most developing countries in ECOWAS is channeled towards promoting private sector led growth. However, because of the low level of development domiciled in these states, the public sector still holds a superior place in the operations of the economy. The need to promote private sector investment requires the need to understand the relations between the fiscal operations of the government and private investment. Based on the findings fiscal spending must be used sparingly and efficiently for investment purpose in the Francophone countries. In the Anglophone countries, fiscal spending is investment friendly and therefore further efficient utilization will be appropriate. Deliberate efforts should also be geared towards the debt management operations (both internal and external) in ECOWAS countries; in an attempt to ensure that the acceptable debt threshold for developing countries of 30% of GDP is not exceeded (this could also control for inflation). More so, the debt management operations in ECOWAS countries should be looked into, such that foreign debts are channeled to economic activities that would promote private sector investment.

Nonetheless, as much as private sector investment is encouraged, emphasis should be laid on achieving stable prices. Consequently, the activities of fiscal policy authority have a significant positive impact on inflation; hence, inflation should be properly controlled for. This can be done by adopting a contractionary fiscal policy. However, this could be disastrous if these economy is experiencing a negative growth, other controls for inflation can be adopted, consequently, a mix of controls.

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