

**THE IMPACT OF THE GLOBAL FINANCIAL MELTDOWN ON THE  
POLITICAL ECONOMY OF AFRICA: A CASE STUDY OF NIGERIA (2008 –  
2010)**

**BY**

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**DEPARTMENT OF POLITICAL SCIENCE**

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**UNIVERSITY OF BENIN**

**BENIN CITY**

**OCTOBER, 2025**

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**A RESEARCH PROJECT PRESENTED TO THE DEPARTMENT OF  
POLITICAL SCIENCE, FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF  
BENIN, BENIN CITY, EDO STATE. IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.SC),  
DEGREE IN POLITICAL SCIENCE**

**OCTOBER, 2025**

## **CERTIFICATION**

We, the undersigned, hereby certify that this research project titled “The Impact of the Global Financial Meltdown on the Political Economy of Africa: A Case Study of Nigeria (2008 – 2010)”, by Deworitshe Anointing Oghenekaro with matriculation number SSC2105677, has been read and duly supervised in the Department of Political Science, Faculty of Social Sciences, in partial fulfillment of the requirements for the award of the Bachelor of Science (B.Sc.) Degree in Political Science, University of Benin, Benin City, Nigeria.

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**DR. J.O. IGIEBOR**  
**(Head of Department)**

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**DATE**

## **DEDICATION**

I dedicate this project to God Almighty, whose endless blessings, guidance, Wisdom and strength have made this journey possible. Without His grace none of this would have been achievable.

## **ACKNOWLEDGEMENT**

I sincerely thank Almighty God for His grace, guidance, and strength throughout the course of this research and my entire academic journey at the University of Benin. His faithfulness has been my greatest support.

My heartfelt appreciation goes to my project supervisor, Mr. J.A. Osazuwa, for his patience, encouragement, and invaluable guidance during the preparation of this project. His mentorship contributed greatly to the success of this work.

Finally, my appreciation goes to the HOD Dr. J.O. Igiebor, lecturers and staff of the Department of Political Science, University of Benin, for their guidance and dedication to the growth of students.

I am deeply grateful to my parents Mr and Mrs Deworitshe for their love, prayers, and unwavering support. My special thanks also go to my Aunties Mrs. Patricia and Mrs. Victoria for their prayer also my Siblings Rejoice, Zino and Greatness for their constant encouragement.

To my dear friends Samuel, Princess, Clinton and all others who contributed in one way or another. I am truly thankful for your support, motivation, and companionship throughout this journey.

Thank you all

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## **ABSTRACT**

The global economic and financial crisis/ meltdown which the whole world witnessed in the past few years, took a toll on Nigerian and African economies. This project research work examines its impacts and implications. In the course of doing this, the paper looks at its origin/causes, global spread factors), policies responses and of course some possible recommendations for more effective and positive results, in order to insulate African's and Nigerian's economies from possible future occurrence of the financial crises. Consequently, in exploring this subject matter, this paper examines the impact and policy responses starting with Western economy of Europe and America, it then trickles down to the African gradual economic integration to the global economy, right from the colonial era, and the ripple effects of the global financial doom on the economic sectors of African which are; real sector, financial sector, fiscal sector and external sector, focussing on foreign exchange market.

Furthermore, it moves down to Nigerian political economy, highlighting the impact and the recovery prospects from the oil sector. Finally, the research carried out, examined and interpreted a survey finding which was undertaken by the researcher to ascertain and substantiates the causes, spread, impact of the financial crunch/ downturn and the level of the potency of policy responses to ameliorate the negative impact. The result of the survey shows that, corruption, sharp practices, greed, inadequate financial managerial skill and knowledge by the financial regulators and institutions among others caused the global liquidity squeeze and economic integration (globalization) as being responsible for its global spread and also that there is a fair awareness of the impact among Nigerians. Some viable policy prescriptions and recommendations were therefore proffered, like, building a virile economy through indiginization of financial and economic reforms, increasing measures to deter and checkmate greed and sharp practices by financial institutions and regulators, employment of professionals and experts in economic and financial sectors together with regular and periodic training on latest operation techniques, taking the issue of economic diversification and fiscal discipline seriously to ensure resilient self reliant economy, among others.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The popular saying that the world is a global village cannot be over emphasized. It means that what happens in one part of the world has effect on the other end without much delay due to scientific and technological advancement coupled with economic, political and socio-cultural integrations also known as globalization.

Globalization is a phenomenon that believes to be multifaceted and multidimensional but in reality, its main target is expansion of economic activities. It includes process of increasing the integration of countries economies to create more coherent global economy, creating a global market place leading to the emergence of a global system of production and distribution, and increasing global economic policy making, harmonizing of the economic rules that govern relationship among nations and creating structures to support the interdependence (Muo cited by Abukakar, et al 2010: 163) This has been long advocated by the Breton Wood Institutions (BWLs) - the International Monetary Fund (IMF) and the World Bank, inform of economic deregulation and liberalization of market economy which is the key panacea to the underdevelopment of emerging markets and developing countries like Africa and other third world economies. The rationale behind this policy is the enormous benefits that are further accrued from it. These include,

transfer of technology, skills and knowledge, trade growth and increased financial flows in the form of portfolio and foreign direct investments to bridge a wide savings and investment gap in developing economies. Countries are therefore encouraged to imbibe the policies, in order to attain the said rapid economic growth and development.

However, the global financial crisis/ meltdown of 2008, which started from the United States of America ( USA) and its impact on the global economy, characterized by the financial institutions of the leading world economies: - USA, Germany, Britain, France, China and Japan, Italy and Brazil experiencing great difficulties resulting in a huge cash crunch and liquidity squeeze. World leading financial institutions such as Merrill Lynch, Goldman Sachs, Bear Stearns, Lehman Brothers, American International Group (AIG) etc experienced life-threatening cash shortages. Whereas Lehman Brothers was liquidated, the other institutions named above were rescued with the American treasury funds. In the same vein, many mortgages could not be serviced, credit dried up for many consumers in the leading world economies, bankruptcies happened, jobs were lost, and suicides were recorded. A general feeling of economic doom, occasioned by recession hit the entire world. It became a serious world-wide problem because the world is truly a global village. The economies in the developing countries and African's, like Nigeria were particularly vulnerable because of the dependence of many of them on Western economic and financial systems. (Mvendaga, 2009:34).

All these, according to (Ganiyu, 2009:23), has necessitated the need for rethinking on the wholly adoption of deregulation and liberalization of world market economy. This assertion of his is informed by the magnitude of losses and damages done to major industrialized countries and emerging markets, whose economies are well integrated into the global economy. The impacts in those economies are still being felt and no one can predict when growth will finally rebound.

Furthermore, African political economy although not as highly integrated as industrialized and emerging countries, is severely affected by the crisis. It manifested in the crash of the prices of equities in major stock exchanges in Africa, and depreciation of exchange rate as well as the reduction in the inflows of foreign capital into African countries among others. According to Ganiyu Kayode Sanni, the principal; Economist Research Department, Central Bank of Nigeria, Abuja and Professor Akpan H. Epo, professor of Economics and the director - general, West African Institute for Financial and Economic Management "African economies such as Nigerian's which were growing robustly with macroeconomic stability before the crisis, were among the worst hit". Also, owing to the fact that Nigeria is an upcoming economy, dependent on the major world economies for its exports and its major imports, and has a nascent financial sector seeking to integrate with the global financial system, the global financial meltdown of this magnitude of the current one is thus bound to have profound impacts on her economy. It is pertinent to state that, though the global recession/ financial meltdown appears abated, the crisis is not over. Therefore, examining the impacts of the said global

financial crisis/meltdown on the political economy of Africa using Nigeria as a case study forms the basis of this academic research work. But in doing this, efforts is also channeled and delved deeper into tracing the origin, causes, policy responses, lessons and implications, and of course proffering recommendations to curb the financial doom to its barest possible minimum.

## **1.2 Statement of the Research Problem**

It is a great shock and therefore a burning issue that the world global economy which was experiencing immense robust appreciation and advancement, abruptly started manifesting and showcasing elements or indices of setback, leading to financial crunch and liquidity shortages in all the sectors of the global economy. This started in the advanced and industrialized economies of the United States of America and Europe, which later spread like a wild fire to the less developed economies of Africa, Asia and Latin America (Oboh and Ajakaye, 2008:42). The Nigerian and indeed the African political economy experienced soaring risk aversion, tumbling equity market, falling exchange rates, depreciating and capital flow decline, while the stock market bearish period deteriorated substantially leading to loss of investors' confidence and capital flight. For example, two world renowned multinational tyre manufacturing companies namely, Michelin and Dunlop packed and relocated their factory base from Nigeria to other neighbouring country (Tell, Oct 13, 2008:26) and other numerous negative impacts on government, corporate governance, economy and financial systems. The above itemized effects on the

political economy calls for urgent need in both academic sector and the society at large to know, how, what and why of it and a way of bailing out the economy for quick recovery.

### **1.3 Research Questions**

The Research will attempt to ask the following as research questions;

1. What are the causes of the global financial meltdown/ crises?
2. Where did the global financial crisis originated?
3. What are responsible for its global spread to the economies of the entire world?
4. What are the impacts on Nigerian and African political economies in general?
5. What is the level of the impact in Nigerian political economy and its awareness among Nigerians?
6. Have Nigerian government and other corporate bodies try any policy response to combat the financial crisis?
7. Can the Nigerian and African political economies be bailed out and be insulated from the effects of any future financial crunch/ meltdown?

### **1.4 Objectives of the Study**

The following shall constitute the research objectives;

1. To find out the origin and the causes) of the global financial meltdown.
2. To examine the impacts of the global financial meltdown on the political economy of Nigeria cum Africa at large.

3. To establish whether the global financial meltdown is a natural economic phenomenon associated with economic system (capitalism) or it is as a result of human mal-administration and governance, because of other similar occurrences in the past like the popular great economic depression of 1930's etc.
4. To examine whether the polices responses by government and corporate governance proffered any positive result
5. To verify if the Nigerian and indeed African economies can be insulated from the further occurrence of global financial meltdown/crisis

### **1.5 Research Hypothesis**

The following shall constitute the hypothesis;

- Greed/corruption by financial institutions and government agencies is responsible for the emergence of global financial meltdown.
- Poor managerial skills and knowledge by boards of the companies and financial institutions are associated with the occurrence of global financial crisis
- Global economic integration (globalization) is responsible for the global spread and impacts of the financial crisis on the Nigerian political economy and that of Africa in general.
- The amelioration in the magnitude of the negative effects/impacts of the global financial meltdown on the Nigerians political economy is as a result of policy responses by the government and financial corporate institutions and regulator.

- There is poor knowledge of the impacts and awareness of the global financial meltdown among Nigerians.

## **1.6 Significance of the Study**

The huge losses, both private and public sector, during the peak period of the global financial meltdown (2008-2009), call for an adequate research and a better knowledge of the actual cause and origin of it because, its only such knowledge that can help individuals, corporate organizations and the government to identify and avoid its next possible emergence and effects. Therefore, it is worth studying and knowing for economic adjustments.

Also, unlike other past similar economic and financial crisis, like the great depression of 1930s, the 1997 Asian Financial Crisis, the U.S savings and loan Crisis, (S and L crisis) of the 1980s and 1990s, etc (Aforka, 2007, 2007: 65) that affected only a/some particular country(ies) or region(s) economy(ies). This present one, that is under study (2008-2010) cuts across the global economies of the world, including underdeveloped ones of Africa. Against this backdrop, it is pertinent to know why it took such global dimension especially, in this 21st century time. Put succinctly, the reason behind its global spread.

Lastly, this academic research work also stands the ground of serving as a reference in the analysis of the dynamism and forces of globalization and economic policy response on the related economics issues, etc.

## **1.7 Scope of the Study**

This research work is basically on the impacts of the global financial meltdown/crisis on the political economy of Africa, but utilizes Nigerian's political economy as a case study, with a time frame of 2008 to 2010, but little notable spill over impacts into 2011 can also be referred.

## **1.8 Limitation of the Study**

One of the limitations of this work is inability to have access to 'all' relevant detailed and critically analyzed information and materials on this subject matter. But it should be noted that a concerted effort was made to gather as many as possible.

Further more, getting access to some targeted personalities like bank managers, senior government staff, top business men etc, for administering of questionnaire and interview was no possible.

That is, the Managing directors and the chief executive officers in public and private financial institutions and companies.

Finally, the conflicting findings and views of different scholars on this subject matter, because of their differences in political and economic system ideologies, i.e. (Capitalist view and socialist view), posed a problems of reference in analysis of the research work.

Some attributed the financial global meltdown on capitalist system while others do not. For example, Akpan H. Ekpo, Professor of Economist and director-general, West African Institute for Financial and Economic Management said US Economy experiences periodic recessions even before the global economic crisis. Even the best economists in the world Bank and the International Monetary Fund cannot put in place policies to avoid recessions and depressions in capitalist type market economy\* (Broad Street Journal, 2011:39)

### **1.9 Definition of Terms**

Economic crisis is a time of difficulty, danger or anxiety about the future of economics of the government policy of a country/ nation.

Global economic crisis is a time of difficulty, danger or anxiety about the future of economics of the government policy of the world usually measured or calculated with the economic policy of the U.S.A (Uchem, 2010; 193).

Financial/Economic meltdown or recession is a down turn in a nation's economic activity. It is a decrease in less than 10% of a country's Gross Domestic product (GDP). The GDP is defined as the sum of private spending and government spending on goods, services, labour and investment. Economic/financial meltdown is characterized by many features including the following: reduction in stock capital market, reduction in deposit savings in bank, purchasing power of people reduced, increase in cost of goods and services, loss of

jobs and unemployment, shift in economic class (the middle class which is the economic class in now eroded), currency depreciation (Adenegan-Alakinde, Ilori, and Ayoola, 2010:83)

**Global:** this means relating or embracing the whole world; worldwide. In this context it means relating to the whole world through economic and political integrations (globalization). **Globalization:** As the name implies, refers to the liberalization and intensification of international linkages in trade, finance, markets, production, research, transportation, energy, medicine, education, politics and culture that is accelerated by discoveries in micro-electronics, information, processing, communications and biotechnology (Beck, 2000) quoted by (Sani, 2010: 241).

**Impacts:** This means to have a strong effects or influence on something or somebody. In the context of this work, it means the strong effects or influence of the global financial/economic meltdown on African political economy.

**Political Economy:** Political economy is the study of the role of economic processes in shaping society and history; thus political economy makes extensive and intensive use of class analysis in making sense of society and history, but does so in the context of political, cultural and environmental processes, as well as other economic processes (Satyananda, 2002) [www.mtholyoke.edu](http://www.mtholyoke.edu).

According to Investopedia, political economy mean the study and use of how economic theory and methods influences political ideology. It further states that, it is the interplay between economics, law and politics, and how institutions develop in different social and economic systems, such as capitalism, socialism and communism. It analyses how public policy is created and implemented.

NOTE: In this research work, global financial meltdown is used interchangeably with global economic crisis/recession to mean the same.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Global Financial Meltdown

Introduction/A Theoretical Construct It is crystal clear that the rate at which the said economic and financial crisis started in USA and spread to other countries economies of the world like a wild fire, reveals that there are factors or dynamic forces that are implicitly or explicitly responsible for it.

The truth is not far fetched, as it is the nature of man to compel interaction and mutual dependence, starting from stone age to this contemporary time. And to that extent, the tendency to interact also exists at the national and the global levels by nations/ states (Ake, 1981:55). In this regard, the concern here is on inter-state interactions at the global level in a number of complicated and interview ways which is necessitated mainly by individual state self-insufficiency, different climatic/natural which environment substantiate the economic theory of comparative advantage of countries. The end result or the concomitant effect of these inter-states interactions and mutual dependency are world economic integration and globalization. It is therefore stale and worthy to posit that it is the above purviews of world economic integration and globalization that gave rise to global financial meltdown spreads. In-deed, the advert of globalizattion has altered the entire structure of the world. It has completely broken down national boundaries. The

whole world has become global village in the sense that, satellite communication has shortened distances through micro chips. This has commanded a huge impacts in the political economy of Africa through economic integration, especially in this 21st century capitalist unipolar system that is majorly controlled by the United States of America and Western Economies.

## **2.2 The Origin and Causes of the Global Financial Meltdown/Crisis.**

The global financial meltdown is officially traced to August 15, 2007, when investor's concerns about the American sub prime mortgage leading industry caused a sharp drop in stock prices in the U.S, the crisis in the U.S mortgage market is further traceable to millions of home loans made by banks to people who either had bad credit rating or lacked adequate income to qualify for the money under traditional lending practices, hence the reference to the loans as sub-prime. The risky loans did not go bad immediately because they usually began with artificially low rates that were to be adjusted upwards thereafter. This provides the justification for their being referred to as "adjustable rate mortgages (ARM). As more people took advantage of the easy money to own property, home values escalated and there was refinancing facilities even when the mortgage payment became very expensive. But trouble started in 2006 as more borrowers began to default and home values began to depreciate, making refinancing more difficult and setting motion a wave of foreclosures that further depressed house values (Aforka, Union Digest, 2007, 58).

Sub prime lending generally refers to lending by institutions which carries a higher level of risk than that of so-called A-paper lending. Consequently, it is generally accompanied by higher interest rate charges. It is a combination of the credit status of the borrower, his income and job history, and the ratio of his income to mortgage payments that determines whether a borrower is sub prime or not. The entry of many sub prime credit card vendors into the U.S market in 2007 increased competition and forced issuers to make the cards, more attractive to consumers by lowering initial interest charges but introducing higher fees for numerous infringement of its terms. These special loan terms on both mortgages and credit cards contributed to the accumulation of unpaid mortgages and credit card defaults, especially as the costs of other items on the household expenditures escalated, as was the case with energy and food prices in 2007 and 2008.

A major development in mortgage lending was the introduction of securitization, where mortgages were packaged into securities that are sold to a wide range of investors and large banks. Generally, an asset backed security (ABS) is a type of tradable debt security that is derived from a pool of mortgages, auto-mobile losses, or loans made to various borrowers. For mortgage-backed securities, investment banks bought the mortgages that pay a specified rate of interest, from the mortgage companies and banks and then pooled them into tradable packages that could be sold to investors. The only income coming into the pool flow from the monthly interest and principal payments being made by the home owners. Depending on the credit rating of the underlying mortgages, we may have investment grade (A+) security, where all the debt service payments are made as

scheduled and passed through to the investors. On the other hand, we may have a non investment grade (junk) security supported by high risk, high interest mortgages asset that promises yields (Aforika, 2009, 60). It should be noted that current crisis was heralded by the big global banks making huge provisions for their mortgage exposures, resulting in most cases in overall losses as from the third quarter of 2007. The application of the accounting principle of market to market by these banks which required them to assign values to positions held in financial instruments based on the current market values for those or similar instruments aggravated investors loss of confidence in their solvency. The IMF has estimated that world losses on debts originated in America, primarily related to mortgages, will reach \$1.4 trillion by the end of 2009. The owners of these debts (banks, insurance, companies, hedge funds, etc) have already written down US \$760 billion (the Economist, October 11 2008).

Succinctly, from the analysis so far from other sources, the causes of the credit crisis, could be traced to be follow;

- Borrowers who sought credit beyond their reach (greed).
- Lenders who threw caution to the wind and abandoned time honoured principles of sound loan appraisal in lending (over-eager lending).
- Investment bankers who earned fees for bundling and selling vaporous bonds without adequately disclosing risk (careless investing and sharp practices).

- Institutional investors who sought high returns without understanding the risk and real value of the underlying assets.
- Collapse of housing markets that eliminated the backstop provided by collateral.
- Inappropriate loan terms designed to attract borrowers and to compensate for higher lending risk that turned out very burdensome for borrowers.
- Widespread failure of risk management. For instance, securitization failed to disperse risk effectively and, at the same time, weakened lenders incentives to monitor the quality of their loans.
- Too much liquidity, arising from the surge of savings from Asia and the oil producing countries that were looking for high returns in a world of low interest rates.
- The inability of central banks to use tougher monetary policy to steer investors towards more liquid products.
- The lack of transparency of complex financial instruments for which there is no public market, making them tough to value and nearly impossible to trade.
- Over-earning of financial institutions. For instance, fannie Mae and Freddie Mac had core capital of \$83.2 billion at the end of 2007 to support \$5.2 trillion of debts and guarantees.
- Globalization and economic integration: Many financial institutions were interconnected. In addition the market across border that they operated in were closely linked and their risks were highly correlated (Chris Pierca, 2009:48).

Lastly, before concluding this passage, it would be of a great academic utility and helpful, to know that financial crisis or economic have been with man from time to time. There are other economic and financial meltdown in the history of countries and regions. The only difference among them and the one this work is treating is that the previous ones had effects and impacts on country, region and sub-region while, this have more global effects and impacts in world economies. Those past financial crises similar to the present one include;

- a. The October 27, 1997 mini-crash, refer to the global stock, market crash that was caused by the Asia financial crisis. Which wiped out US\$663 billion market capitalization.
- b. The Asian financial crisis of 1997. The most Asian countries affected are Indonesia, Korea and Thailand.
- c. The U.S savings and loans crisis of 1989 (the U&Ls) crisis. This crisis saw the failure of 2,412 savings and loan associations in the US, with the ultimate resolution cost estimated of \$560.1 billion. (union digest, 2009:69).
- d. And of course the great depression of the 1930s. This was a worldwide economic downturn starting in most places in 1929 and ending at different times in the 1930s or early 1940s for different countries. It marked big economic depression in modern history, it should be noted that also originated from the U.S when the stock market crash on October 29, 1929.

## **2.3 Consequences of the Global Financial Meltdown and Policy Responses (Western Economy)**

As this research work mentioned earlier the need to delve into various facets of the global financial crisis, it is also instructive to summarily look at the major fallbacks of the financial crisis on global perspective mainly Europe and the United States Financial institutions and sectors in view. They are as follows;

- The failure of Northern Rock, a major British mortgage lender, in October 2007, after a run on the bank.
- Profit write-downs and loss making by major international banks, such as Citi group.
- The drying up of wholesale funding in the money markets.
- The failure of wall street investment banks, such as Goldman Such Bear Steams, Lehman brothers and Co, Merrill Lynch and the decision of the remaining ones to seek commercial banking license. Where as Lehman Brothers was liquidated, American International group (AIG), the Biggest Insurance Company in the world, was too interconnected with world economic outside the US to be left to die. So, together with the other institutions named above was rescued with American treasury funds, something least expected in the US which advocates for the separation of the market from the treasury (Mvendega, 2009: 34).

- The closure of Washington Mutual Inc. (WaMu, the largest U.S savings and loan company and one of the lenders with the greatest exposures in the mortgage industry, by the U.S Federal Office of Thrift Supervision following a run on the bank.
- New capital raisings by bank and sale of assets/ businesses to shore up capital. For instance, by the end of June 2008, Citigroup had raise about \$40 billion by shedding business, lowering dividends and selling new stocks.
- Global recession, as many countries and regional the U.S., Japan, Germany, the European Union, have witnessed, at least, two consecutive quarters of negative growth, which is the traditional definition of a recession. The recession in the U.S dated to 2007. The IMF had projected that global output growth would slow down to 3.9% in 2008 from 5% in 2007 and that growth world further weaken to 3% in 2009, marking the worst growth since 2002 (Union Digest, 2009:62).
- Increasing unemployment across the globe; in the U.S., for instance, according to their national economic gazette 2.589 million jobs were lost in 2008 and it is projected that commercial banks would lose over 10% of their employment by the end of 2009.
- Erosion of household wealth, including worker's retirement savings. The housing decline has wiped out about \$5 trillion of U.S citizens' wealth and stock market fall has eradicated an additional \$8 trillion.

- Capital flight from emerging economies, banks insolvent, contractions in consumers expenditures etc.

### **Major Policy Responses to the Crisis (Western Economy)**

Central banks and governments across the globe have taken actions, individually and collectively, to stabilize their domestic economies and to avert the collapse of the global financial system which America is of course in its vanguard. So far the policy responses have included the following measures.

- Injection of liquidity into the money market. It is estimated that the central banks have injected close to \$2 trillion into money markets, of which the Fed has committed more than \$1 trillion (union digest, 2009).
- Interest Rate cut: The Fed Reserves summed and accelerated interest rate cuts in September 2007 and by the end of 2008 had reduced its fund rate to 0.5% from 5.25%. China's central bank cut the cost of bank loans for the first time since February, 2002 to prop up the slowing economy. The Bank of England, the European Central Bank, the Bank of Japan and other central banks also concerned in rate cuts with the bank of England's rate down to 15% by early 2009, the lowest since its establishment.
- Take over or nationalization of certain financial institutions. The Northern Rock, a mortgage bank in Britain, was nationalized. The biggest mortgage operators in the U.S, Fannie Mac and Freddie Mac, which are government sponsored

enterprises, were taken over by the US government together with AIG, the biggest insurance company in the world as said earlier.

- Government: assisted merger and/or acquisition of certain financial institution. Like in U.S.A. J.P. Morgan acquired Bear Stearns and Washington Mutual facilitated by the U.S, government. The British authorities arranged the takeover of Halifax Bank of Scotland (HBOS) and other launching of economic stimulus and financial institutions bailouts packages.

## **2.4 The Impact of the Global Financial Meltdown on the Political Economy of African**

Before going fully into this sub-heading, it is necessary to first take a concise exploration of African political economy. The pre-colonial African political economy was characterized by traditional agrarian barter economic system. But the advent of colonial masters saw the arrival and introduction of monetized economy in the African states. This marked the take off stage and gradual integration of African economy to the Western capitalism (Ake, 1981:33). Capitalism is conceptualized as both political and economic system which advocates the system in which the major means of production and distribution of goods and services are privately owned and managed with very little or no control from the government or the state. This form of political/ economic system is direct opposite of socialism or communism which is the apex form of socialism. In this,

all the major means of production and distribution of goods and services are centrally controlled by the government or the state (centrally planned economy).

But with the collapsed of socialist states (USSR) in early 1990s which epitomized the end of cold war, the existing bipolar political economy of the world changed to uni-polar. With this incidence and the influence of colonization of African states by the Western capitalist, weaken and undermined the solidarity of the policy of nonalignment which African states embraced, leading to Westernization of most African states (capitalist ideology).

Today, many modern African states have adopted capitalists ideologies and principles of Western World (Western Europe and the America). These include; economic integration to world economy, liberalization and deregulation of markets, western democratization and civil society formulation among others. Its wholly adoption by African states has led to less emphasis and shift from the core principles of African foreign policies like the nonalignment movement, security and sovereignty of African states, unity Against Apartheid Politics and Racism, African Liberalization and Unity Against Colonialism etc. According to Stephen Wright

"the espousing nonalignment as a key foreign policy platform for states did not undermine the important influence of Western nations or international financial institutions (IFIs) in African policies. Today, the focus of foreign policy has shifted somewhat from an emphasis on country

relationships to the all pervasive influence of IFIs, notably the IMF and world bank, with additional pressures brought to bear by the debt agencies of the London and Paris Clubs. Economic policy has evolved from low politics' to high politics' (Wright, 1999:17).

The severity and the devastating effect of the global financial meltdown on African political economy can not be over emphasized, and many African countries are yet to recover from the shock inflicted by it. The impact is felt in all the sectors of the African economy although with similar effects like in other economies of the world. Starting with their real sectors.

**Real Sector:** The gross domestic product has been hit severely by the crisis, with its growth rate forecasted by the IMF to dip below 3 percent in 2009 for the first time since 2002. The pessimistic fore cast was based on the fact that the global financial crisis has engendered credit crunch which will ultimately affect global demand for goods and services. Thus, global growth of output is expected to be contracted and so African cannot be spared. African economy is highly vulnerable given that both the prices and supply of their primary exports are exogenous determined. In addition, the crisis has adversely affected the export volume and prices of both energy and non-energy commodity prices. For instance, during the second half of 2008, non-energy commodity prices fell by 38.0 percent and oil prices fell by 69.0 percent by the end of December

2008. The slow down has resulted in short fall in export revenues culminating in trade deficits. Also, local industries heavily depend on imported raw materials for production. The depreciation of local currencies in response to the external shock resulted in high cost of importation of industrial inputs thereby leading to the high cost of production and subsequent decline in output. This analysis shows that the decline in output is traceable to the fall in aggregate demand and increase in cost of production.

**Table 1: Forecasts for Growth, Overall Fiscal Balance and External Current Account for Africa, 2007-2010**

<b>GDP Growth Rate (%)</b>	<b>2007</b>	<b>2008e</b>	<b>2009p</b>	<b>2010p</b>
Central Africa	4.0	5.0	2.4	3.4
Eastern Africa	8.8	7.3	5.3	5.6
Northern Africa	5.3	5.8	3.4	4.1
Southern Africa	7.0	5.2	-0.4	4.1
Western Africa	5.4	5.4	3.8	4.0
Africa	6.1	5.7		
<b>Overall Fiscal Balance as % of GDP</b>				
Central Africa	7.4	11.6	3.3	4.0
Eastern Africa	-3.6	-2.2	-4.9	-5.3
Northern Africa	3.6	5.3	5.6	5.3
Southern Africa	2.3	1.9	5.2	4.8
Western Africa	-0.4	-0.3	-0.9	-9.2
Africa	1.9	2.8		
<b>Current Account as % of GDP</b>				
Central Africa	-0.5	9.0	-4.8	-3.1
Eastern Africa	-9.3	-6.3	-7.7	-8.4
Northern Africa	12.1	11.5	1.0	1.5
Southern Africa	-3.3	-2.0	-8.3	-8.7
Western Africa	-0.2	0.0	-9.0	-8.1
Africa	2.2	3.3	-4.9	-4.8

**Source:** Adapted from Economic Commission for Africa (2009)

## **Key**

e - Estimated

p - Average projection

**Financial Sector:** The financial sector is not well integrated with the global financial system compared with that of emerging countries such as Asia and Pacific countries and Latin America implying that the contagion from the crisis was not as severe as those countries. The domestic banking system and the stock exchanges were however affected. The domestic banks could not access fund from their foreign banks due to the credit crunch thus bank were incapacitated to expand credit to the real sector for growth and development. This development hindered the financial intermediately role of the banks in the economy thereby constraining the profitability of banks. Consequently, many banks could not expand and some of them had to lay off workers to cut cost in order to remain in business. Before, the crisis many of the stock exchanges especially the Nigeria stock exchange, Botswana stock exchange, Ghana stock exchange and South Africa stock exchange were recording appreciating growth in all indicators of stock market performance market capitalization, volume of stocks traded and all share index but the crisis brought a crash and lull in stock market activities. For instance, the Nigeria stock market crashing loosing 67.2 and 61.7 percent of all share index and market capitalization respectively, between April 2008 and March 2009 attributable to global capital market downturn, foreign investors' divestment and panic sales by local investors. Stock indices for Nigeria, Botswana, Kenya, Namibia, South Africa, Uganda, and

Zambia registered large declines in dollar terms in 2008 and only three members (Ghana, Malawi, and Tanzania) closed in 2008 with positive returns. (Ganiyu 2009). In Nigeria, the decline in stock prices was further accentuated by the practice of lending for share purchases (Anyanwu and Erhijakpor, 2009). The crash in the stock market has made it difficult for business firms to funds for growth thus perpetuating economic underdevelopment.

Since, most firms find it difficult to raise funds from the capital market and the banking system, they are forced to go under thereby aggravating unemployment and poverty in many African countries. This situation if not well handled could provoke massive unrest.

**Fiscal Sector:** The global financial crisis has impacted adversely on the revenue from primary exports, which constitutes over 75.0 percent of government revenue because of the crash in the prices of exports as well as the decline in global demand for goods and services. The oil exporting African countries especially Nigeria, Algeria, Angola, Gabon and Libya were badly hit as the oil prices fell from all time high of US\$145.0 per barrel in July 2007 to about US\$60.0 per barrel in August 2008 (Business day, 2008:5). The Nigerian case was pathetic as the country was confronted with both adverse terms of trade as well as production shock emanating from unabated disruptions in oil production in the Niger Delta Region (Mvendega, 2009:34). The consequence of this development was the drastic fall in foreign exchange earnings from exports and the emergence of huge financing gap. This implies that additional external financing would be required to fill the

gap but the drying up of international liquidity arising from the credit squeeze has further worsened the situation. It is projected that the overall budget balances will worsen from the continent as a whole, going from a global budgetary surplus of 2.8 percent of GDP in 2008 to a deficit of 5.6 percent of GDP in 2009. This means that development projects would be abandoned thereby perpetuating the underdevelopment of the continent (Sanni, 2009). External Sector: The external sector is the hardest hit of all the sectors of the African economy. This is expected as African economy is heavily reliant on the rest of the world for its survival. Consequently, the external sector performances mirror by exchange rate, foreign exchange market, external reserves, current account and capital and financial accounts have continued to show poor performances since the climax of global financial crisis in 2008.

**Foreign Exchange Market:** One of the noticeable impacts of the crisis in some African countries is the huge outflow of foreign capital. In Nigeria, Ghana and Kenya for instance, it was noticeable that these countries recorded huge inflows of portfolio and direct investment during economic reforms. The crisis thus triggered the reversal of portfolio capital which led to the depreciation of currencies. The Ghanaian Cedi depreciated by 14.8 percent on average in 2008 and is expected to continue to depreciate over the course of 2009. The Nigeria Naira fluctuated within a narrow range against the US dollar until the end of 2008 when it depreciated by 25 percent. The huge outflows of foreign capital coupled with the fall in export earnings resulted in the decline for external reserves (Geniyu 2009).

As a result of the fall in global demand, export revenues are declining sharply resulting in the deterioration of current account balances, erosion of foreign exchange reserves, and heavy losses in trade tax revenue. Exports from the continent were expected to fall by more than US\$250 billion in 2009.

Oil and mineral exports suffered the largest losses. Nigeria and Angola alone experienced a combined shortfall of USD76.8 billion in exports receipts. Mineral exporters Zambia and the DRC together lost about USD 6 billion in 2009. Already in the first quarter of the year, some countries recorded major declines in key commodity exports. In Uganda, the second leading coffee grower after Ethiopia, Coffee Robusta exports were 34 percent lower in March, 2009 than 2008 US D 23.9 million compared to USD 36.3 million (Anyanwu and Erhijakpor, 2009).

The foreign direct investment (FDI) inflows into sub-Saharan African also fell from U#28.0 billion in 2007 to US\$21.0 billion in 2008. Overall, total foreign capital inflows including remittances, overseas development assistance (ODA) and FDI recorded declines of 6.5 percent from US\$82.68 billion in 2007 to US\$77.25 billion in 2008. Also global financial crisis has adversely affected many industries in the industrial world. This resulted in the massive lay-off of workers, particularly Africans in Diasporas thereby leading to lower inflows in remittances. This is evident in the decelerations to 6.0 percent in 2008 from 44.0 percent in 2007. The decline in investment and remittances inflows could have a negative multiplier effect on not only capital formation and growth

projections for the African economics, but on employment generation and human development. The decline in global trade will reduce demand for African exports while the resultant depreciation of domestic currencies has made imports expensive. Consequently, the current account remained in deficit in 2009. It is further projected that African will record an average deficit of 4.8 percent in 2011 ending.

The financial crisis has also increased the risk premiums that African countries have to pay in international capital markets. There is evidence that several countries in the region have difficult obtaining funds from international capital market. For example, Kenya, Nigeria, Tanzania and Uganda have cancelled plans to raise funds in these markets. The drying up of this source of external financial source is a serious setback for development in the region because the money raised would have been used to finance infrastructure development and boost growth. The private sector is also facing challenges in raising funds in international capital markets (ECA, 2009).

## **2.5 The Impact of the Global Financial Meltdown: (Nigerian Political Economy).**

The global financial crisis which started as tension in the United States financial markets in the early 2007 was believed not to affect other economies - such as Nigeria's as they do not operate the same system with the US ( Aforika, 2009:70) The crisis which later transformed into a full-blown global financial crisis in the second quarter of 2008 started having effects on several economies which Nigeria was not exempted from.

By the tail end of 2008, there was panic as the stock market was already at its lowest bearest level and people were of the view that the Nigerian global banks would soon cry for bailouts as many of them are quoted. The regulators of the economy such as the Central Bank of Nigeria, (CBN), Securities and Exchange Commission, (SEC), repeatedly assured Nigerian banking public that, in as much as the economy might not be insulated from the effects of the meltdown, the country's 24 universal banks which was saved by the consolidation exercise of the sector in 2005, are strong to wither the crisis. (Soludo, Business day, 2008:6 1)

But as the crisis intensified, the effects of financial turmoil on developing countries increased. There was soaring risk aversion, tumbling equity market, falling exchange rates, falling and capital flow decline, while the stock market bearish period deteriorated substantially leading to loss of investor's confidence. Consequently the World Bank and the International Monetary Fund, (IMF) revised global growth expectations from 2.5% to 0.9% as a result of the economic turmoil.

This showed that the world economy was mired in the severest financial crisis since the Great Depression and African countries including Nigeria have been adversely affected. However, the economic crisis has posed a lot of challenges in Nigeria which experts said have led to the shrinking of the economy.

- Firstly, the falling oil prices and dwindling revenue for government leading to less deposit for banks that depends on the public sector for bulk of their deposit liabilities.
- The fall in oil price is also said to have affected the rate of accumulation of the external reserves.
- Consequently, the naira has been under a lot more pressure losing more than 25% of its value from last year to first quarter of the year.
- Also, the declining capital inflows into the economy, have the effect of worsening the problem of relatively high operating costs occasioned by decaying infrastructure like power and transportation because of the dearth of funds for investment in infrastructural development.
- While the impact on banks is said to be higher operational costs as well as loss of income that could have been earned from facilitating the inflow of capital into the economy.

Other areas where the economy was adversely affected by the meltdown is the loss of income from strategic business units like the local Foreign Currency Unit, FCU, desk in banks due to restrictive foreign exchange policies (such as the reduction in Net Open Positions, etc enacted to defend the naira) which have virtually strangled the interbank exchange market and related transaction income.

- There has also been reduction and re-pricing of credit lines from foreign banks and in some cases outright freezing of such lines.
- This has led to loss of significant income usually earned from Trade Finance business.
- The capital market downturn and divestment by foreign investors leading to loss of investor's confidence and increase in non performing loans from facilities granted to investors in the stock market is said to be the most severe effect of the global meltdown.
- Key financial institutions which directly depend on the stock market such as the stock-broking firms, rating agencies, investment and asset management companies as well as banks that are exposed to these institutions have been experiencing loss of business.
- As a result of the financial meltdown, government at national and sub national level have recently increased its borrowing to cover shortfall in revenue and resultant crowding out of the private sector. In spite of the notable achievements recorded in the banking sector such as the consolidation of the banks, growth in the credit system which shows that credit to the private sector grew 435% from N1.52trn in 2003 to N8.13trn in February 2009, system amongst others, the global economic crisis recent events are beginning to cast doubts in the state of the Nigerian sector especially with effect of the crisis.

Statistics showed that since banks constitute over 65% of market capitalization, the consistent decline in the stock market has affected banking stocks more than any other sector. However, the net effect of this has been loss of confidence evidenced by the exit of foreign players from the market. Apart from the growth rate of 2009 which indicators have shown to be 2.8 percent which is about half of the growth rate in 2008 as well as the vital source of deposits which the banks are seen to be losing, there is also serious concern whether Nigerian banks are resilient enough to withstand these impact of the global economic meltdown.

Analysis are of the opinion that the Nigerian banking sector will most likely wax stronger and even improve its performance once the global economy returns to the part of growth. With the current focus on stricter regulations, global reporting standards and enhanced risk management by the new Central Bank Governor, Mallam Sanusi Lamido Sanusi, market watchers are of the view that the Nigerian banking sector will most likely wax stronger.

In order to tackle the impact of the global financial meltdown on Nigeria, the government and corporate institutions have embarked on different policy responses which are not much different from that of the U.S.A. They include;

1. Structural Response which are cuts in interest rate, infrastructure development, Economics diversification etc.

2. Fiscal and monetary policy responses like taxation, government expenditure injection of liquidity into the capital market.
3. Bank reforms and other financial institutions.
4. Ethical policy response, like social justice, Electoral reforms, engagement with the international community etc and other stimulus and bail out packages which can be said to have reduced the effects to some degree or level.

### **Recovery Prospects from the Oil Sector**

Nigeria looks very good at achieving in excess of 2.5 million barrels per day (pd) crude oil output in the current year, according to Nigeria National petroleum commission (NNPC) projection (2010/2011). The new production pack is calculated on the premise that, community hostility in the Niger Delta is out of the way. An improved security environment would let oil companies reopen abandoned sites and fix vandalized facilities. The output projection for the year stood 20% and the 2.08 million barrel (pb) benchmark for the 2010 budget (Zenith Economic Quarterly 2010:24)

Further progress in the recovery of the global economy is expected this year and this will grow by 3.1% in 2010/2011, marking the first strong growth from a three-year slow down. The strong economic growth will spur demand for crude oil, which by Organization of Petroleum Exporting Countries (OPEC) forecast, will reach 85.13 million barrel per day. Global crude oil demand is therefore expected to improve by 0.83

million barrels per day or about 1.0%. Demand for OPEC Crude is expect to improve marginally to 28.61 million barrel per day.

Fiscal 2010 was a prospective year of revenue boost for oil exporting nations with the expected gains on both crude oil production and price. The US - base Energy Information Agency projects that OPEC member countries would gain \$184 billion in revenue in 2010/2011, up on the estimated net income of \$ 575 billion for 2009. That would be a big progress from an estimated drop of 40.4 % in crude oil earnings in 2009. The bullish signals coming from the oil sector are again reinforced by an unwavery growth of the non-oil sector (Zenith Economic Quarterly 2010). The summary of the expected outcome of global trade in 2010 is that, Nigeria is one of the countries that will receive a boost in income.

### **Conceptual Clarification**

The concepts and terms relating to the topic of the subject matter are defined in chapter one (1.9) under definition of term; but for the purpose of clarity and better understanding, some other terms or concepts utilized in the course of reviewing relevant literatures are defined and clarified here. They are as follows;

**Political Economy:** Political Economic Approach is a method of political analysis which employ the understanding of the economic structure, material assets and constraints of a society in explaining the political structure and nature on such society. It assume that the

economic condition in any society set the tone for political activities, political powers and actors in any society. The economic structure sets the general trend on political interest and political alignment.

**An Asset-backed security (ABS):** It is a security whose value and income payment are derived from a collateralised (or "backed") by a specified pool of underlying assets. The pool of assets is typically a group of small and illiquid assets that are unable to be sold individually (Wikipedia 2010).

**Foreign Direct Investment:** (FDI), or foreign investment refers to the net inflows of investment to acquire a lasting management interest, especially from another countryies).

**Junk security (Bond) or speculative bond:** it is a security or bond that is rated below investment grade at the time of purchase. It has a higher risk of default or other adverse credit events, but typically pay higher yields than better quality bonds in order to make them attractive to investors.

**Exogenous:** It relates to or developing from external factors. In this work, its used to show and express how Africa economy is being determined and controlled by the Euro-American economy.

**At security (Bond plus Option):** is a capital guarantee product that provides an investor with a fixed, predetermined participation to an option.

**Port folio investment:** The purchase of stocks, bonds, and money market instruments by foreigners for the purpose of realizing a financial return, which does not result in foreign management, ownership, or legal control. Some examples of portfolio investment are:

- Purchase of shares in a foreign company
- Purchase of bonds issued by a foreign government
- Acquisition of assets in a foreign company

Liquidity squeeze or credit crunch is a reduction in the general availability of loans (credit) or a sudden tightening of the conditions required to obtain a loan from the banks. A credit crunch generally involves a reduction in the availability of credit independent of a rise in official interest rates.

Subprime lending (near-prime, second chance lending) means making loans to people who may have difficulty maintaining the repayment schedule. Those loans are characterized by higher interest rate and less favourable terms in order to compensate for light credit risk (Prof. Harvey S. Rosen of Princeton University).

Mortgage in this context refers to (mortgage loan) a loan secured by a mortgage, a security interest on need property grant to a lender.

**The Fed:** The Federal Reserve System known as the federal reserve, and informally known as the fed is the central banking system of the United States created in 1913. (Wikipedia)

**Primary Products:** They are mostly agricultural produce or natural resources, mainly serve as raw materials for other industries (minly manufacturing). In this work it was used to describe the main-stay of most African economy (primary products based economy).

Foreign policy or foreign relation policy, consist of self-interest strategies chosen by the state to safeguard its national interests and to achieve its goals within international relations milieu. Also it is the strategy or planned course of action related to external relations) developed by the decision makers aimed at achieving specific goals (Frankel, 1975:1-3).

## **2.6 Theoretical Framework**

The pedagogic utilities of theoretical frame work in analysis of a scientific research work can not be over-emphasized. A theory is the analysis of a set of facts in their relation to one another usually between dependent and independent variables. It is also a set of statements logically arranged in such a way to provide an explanation of a phenomenon (Obeide), consequently, the theory or theories which most substantially provide the frame of reference for a study is said to be the theoretical framework of that study (Agbonifor and Yomere 1999: 105).

Therefore, system theory is employed in this research work's analysis. System theory has been seen as one of the most widely use in the analysis of phenomena in political science

and international relations due to its good scientific footing and applicability in analyzing how phenomenal system works. It is also very easy to use and understood.

David Easton, the major proponent of the system theory derived it from part of mechanic (mechanism) and biology, that is, the way different human organs work together, which inturn give rise to a system e. digestive system. He also describe a system, as a complex whole which is made up of interacting and interdependent component parts or units. The component units depend on one another to function and to make a complex whole. He further gave conditions necessary for component parts as, there must be interactions and inter-relationship among them, boundary between them and lastly, the environment that houses or accommodates the parts and the system in general.

In this research work we found out from the reviewing of different literatures of researchers and scholars that the world economy which is the complex whole is made up of different countries' and continents' economies which are the component units or parts. They inter-depend and interact trade, foreign direct investment, port folio investment, foreign financial aids etc, which when put together is called economic integration. The concomitant result of this integration is globalization. This has been defined previous under definition of terms. According to system theory, a change in one of any component units will also lead to change in others. As we observed from this research work that, the global financial meltdown which started in the united states of America's economy as a disturbance in that component unit of the world's economy, spread to other economies of

the world which Nigeria and African are parts of them. Furthermore, the impact of the crisis, that is, its identifiable features like liquidity crunch, low revenue generation, workers layoff etc in the United states of America are the same in other component units.

There are also identifiable units of different country's economies and the clear boundaries between them. For instance USA is clearly separated from Nigeria, Nigeria from Angola, Angola from China, Japan, Algeria, United Kingdom etc. The interdependence among the economies of the constituent states is very obvious for example, Nigeria exports raw materials and other primary products to the USA, and other Western economies while they (Nigeria) depend on USA and other for finished products, technology acquisition and human capital development etc.

Another dimension of the system theory on this research subject matter is that other systems of the complex whole make input to the principal sub system (political system) or (convention unit) as policy demand and support. This was manifested when the different sectors of the economy beckoned on the leadership (political sub-system) of their different countries and the international financial institutions authorities to take a bold policy response to ameliorate or abate the adverse effects of the financial crisis on them. The political sub-system responded by initiating and embarking on different financial and economic policy responses like liquidity injections, stimulus and bail-out packages to rescue them (troubled sectors).

In addition, a system can also be described in its state or form which may stem from loose, tight, stable and unstable. Stable and tight system is viable to take inputs and convert them to output while a loose and unstable system can not carry out its function.

These functions also include ability to establish and maintain stability and effectiveness but most importantly, the ability to return to stability and equilibrium after disturbances (Bougherty and Ptaltzgraff, 1990: 136-137).

Finally, David Easton system theory is further proven to be valid and reliable due to its consistency by the findings of this work which substantiates its accuracy and appropriateness.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Research Design**

The survey research design was used in this academic research work due to its scientific and systematic approaches and characteristics. It is considered most suitable in this work and entire social scientific research because, it enhances accuracy in describing, explaining and predicting the behaviors) of social phenomenon that is/ are being studied (Osemwota et al, 1996: 179).

As a method of collecting data for research, it entails a technique that involves asking the same questions to a number of people who are either representative or all the members of a group one wishes to study. Generally, the same method of questioning is repeated each time. The survey technique is generally associated with sampling (Osenwota et al, 1996: 179).

#### **3.2 Questionnaire Design**

This is also known as the instrument of data collection. It is a set of question given to respondent or subject to read and provide written answers. This research work utilized close ended, open ended and Likert types of questionnaire.

Furthermore, the questionnaire is divided into two segments or sections. The first section would be called section A, which would deal with the bio data/demographic data of the respondents and the second segment would be called section B, which will deal with the answers of the respondent's opinion on the research issues.

Some questions in section B would form the hypothetical question and which would be associated with the research objectives and questions (Isaac 1999, 26)

### **3.3. Population of the Study**

This is the totality of the group about whom to investigate or research on, in order to draw conclusion. Furthermore, that is, the totality of the objects or elements being studied and to which the conclusions or generalizations of our results will apply (Aigbonifoh and Yomere, 1999: 115). Thus, by the nature and virtue of this research work, the economy of Nigeria forms the population of its study. They include; fiscal sector, manufacturing sector, financial/banking sector, educational sector, power sector. Note, both private and public sectors of the Nigerian economy

### **3.4 Sample Size**

A sample size is a representative number of the population of the study. Since studying the entire population or universe will pose problems if not impossible, a representative sample of it would be formed and then studied in place of it.

The sample size of this project work is one hundred respondents from economic sectors of Nigeria mentioned above, which are located in Ugbowo and its immediate environs of Benin City. This is gotten by dividing the whole sectors into private and public, and then randomly select fifty respondents from each of them.

Note: the total economic sectors in Nigeria does not denote or mean the total number of persons or population in Nigeria.

### **3.5 Sample Technique**

The sampling technique is stratified sampling. This is when a population is broken down into sub-groups or strata based on identifiable criteria. All the strata are represented in the sample but the staple members are selected from each stratum at random, thereby reducing the sampling error (Musa, 2003: 20).

In this work, the entire economic sectors of the country are collapsed into two sub-sectors or strata based on who manages and controls them, (government and private) and fifty respondents from each of them are randomly selected to form the sample size.

Note: Random sampling is one of the sampling technique which involves a technique in which members of the population's chance of being included in the sample is independent of the researcher's choice and no member has any advantage over any other in obtaining representation in the sample (Ogbeide 1997: 33 - 35).

### **3.6 Data collection**

The questionnaire would be handed out to the respondents after a brief introductory address by the researcher on the nitty-gritty of the research and how imperative the respondent's objective opinions and answers are needed or required. The respondents would be also required to supply his/her answers as quick and soon as possible for collection and collation by the researcher. But enough time would be allowed to the respondents to fill in the questionnaire.

### **3.7 Method of Data Analysis**

The data collected would be well scrutinized for errors of filling the questionnaire and extraneous factors by the respondents and then systematically and meticulously analyzed with the use of frequency table percentage statistical tools.

## CHAPTER FOUR

### 3.8 Presentation of Data and Analysis

#### SECTION A: (PERSONAL DATA)

**Table 1.1: Distribution of the respondents by sex**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Male	56	56%
Female	44	44%
Total	100	100%

*Source:* Field work, November, 2011 of the respondents.

Table 1.1 shows that 56% respondents are male while 44% are female.

**Table 1.2: Distribution of the respondents by age**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
18 - 20	8	8%
21 - 40	70	70%
41 - 60	20	20%
61 and above		2%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.2 shows that 8% of the total respondents are between the ages of 18 - 20, 70% are between 21 - 40, 20% are between 41 - 60 and 2% are between 61 and above of age.

**Table 1.3: Distribution of the Respondents by Marital Status**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
single	60	60%
Married	36	36%
Divorced / separated	0	0%
Widowed	4	4%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field work, November, 2011 of the respondents.

Table 1.3 shows that 60% of the total respondents are single, 36% are married, 4% are widowed and non of them are divorced or separated.

**Table 1.4: Distribution of the Respondents by Educational Attainment**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
No formal education		0%
Primary education	0	0%
Secondary education	8	8%
Tertiary education	74	74%
Post graduate and above	18	18%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field work, November, 2011 of the respondents.

Table 1.4 shows that 8% of the total respondents attained secondary education, 74% have tertiary education and 18% have post graduate and above.

**Table 1.5: Distribution of the respondents by occupation**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Jobless	34	34%
Apprentice/learning trade	12	12%
Self employed	28	28%
Employed	26	26%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.5 shows that 34% of the total respondents are jobless, 12% are apprentice or learning trade, 28% are self employed and 26% are employed.

## **SECTION B (VARIABLE DATA)**

**Table 1.6**

**Question 6: Have you heard about the global financial meltdown/crisis before?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	100	100%
No	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.6 shows that all the respondents have heard about the financial global; meltdown.

**Table 1.7:**

**Question 7: if yes to question 6; do you know the country/region it originated/started from?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	88	88%
No	12	12%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.7 shows that 88% of the total respondents answered "Yes", while 12% answered "No".

**Table 1.8**

**Question 8: if yes to question 7, indicate**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Indicated	88	88%
Not indicated	12	12%
<b>Total</b>	<b>100</b>	<b>100%</b>

Table 1.8 shows that 88% of the total respondents indicated correctly while 12% respondents did not and therefore, don't know,

**Table 1.9**

**Question 9: Do you know the cause(s) of this said Global Financial Meltdown?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	84	84%
No	16	16%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.9 shows that 84% of the total respondents answered "Yes", while 16% answered "No"

**Table 1.10**

**Question 10: Do you agree Nigerian political economy was affected by the global financial crisis between 2008 - 2010?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	82	82%
No	18	18%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.10 shows that 82% of the total respondents answered "Yes", while 18% answered "No"

**Table 1.11**

**Question 11: If yes to question '10', cite at least two examples of the effects you observed.**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Cited	78	78%
Not cited	22	22%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.11 shows that 78% of the total respondents cited at least two examples correctly, while 22% did not know and therefore did not cite any example.

**Table 1.12**

**Question 12: If yes to question '10', how would you describe/categorize its effects on the political economy of Nigeria?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Simple	8	8%
Much	50	50%
Very much	26	26%
No response	16	16%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.12 shows that 8% of the total respondents categorized the effect of the global financial meltdown on Nigerian political economy as 'simple', 50% categorized it as 'much'. 26% categorized it as very much while 16% did not respond to this question.

**Table 1.3**

**Question 13: Do you think that economic and political system is associated with the global financial meltdown?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	86	86%
No	6	8%
Undecided	8	8%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.13 shows that 86% of the total respondents answered "Yes", 6% answered "No", while 8% were undecided.

**Table 1.14**

**Question 14: Do you think economic integration (globalization) is responsible for the global spread of the financial crisis?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	80	80%
No	10	10%
Undecided	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.14 shows that 80% of the total respondents answered "Yes", 10% answered "No", while 10% were undecided.

**Table 1.15**

**Question 15: Do you agree that there has been any policy responses) to the financial crisis by the government and corporate institutions?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	84	84%
No	14	14%
Undecided	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.15 shows that 84% of the total respondents answered "Yes", 14 answered "No", while 2 were silent, i.e. did not respond to the question.

**Table 1.16**

**Question 16: if yes to question «15", do you believe it is/was yielding yielded any good result?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	58	58%
No	32	32%
Undecided	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.16 shows that 58% of the total respondents answered "Yes", 32 answered "No", while 10% were undecided, i.e. did not responded to the question.

**Table 1.17**

**Question 17: Do you think greed and Corruption by Financial regulators and institutions contributed to the Global Financial Meltdown?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	90	90%
No	8	8%
Undecided	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.17 shows that 90% of the total respondents answered "Yes", 8% answered "No", while 2% were undecided, that is, did not respond to the question.

**Table 1.18**

**Question 18: Do you accept that lack or Dearth of Economic and Financial Managerial skills/Expertise also Contributed to the cause of the Global Financial Meltdown Crisis.**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	86	86%
No	14	14%
Undecided	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.18 shows that 86% of the total respondents answered "Yes", 14% answered "NO", while no one was undecided.

**Table 1.19**

**Question 19: Do you think that the global financial crisis has ameliorated/ reduced?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	70	70%
No	30	30%
Undecided	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.19 shows that 70% of the total respondents answered "Yes", 30% answered "NO", while none was undecided.

**Table 1.20**

**Question 20: If yes to question "19", would you accept that the Political Economy of Nigeria can be insulated/protected from any Possible Future Reoccurrence?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	42	42%
No	22	22%
Undecided	36	36%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.20 shows that 42% of the total respondents answered "Yes", 22% answered "NO", while 36% were undecided, that is, don't know for sure.

**Table 1.21**

**Question 21: Finally, do you believe that average Nigerian knows about effects of the Global Financial Crisis/Meltdown?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	46	46%
No	44	44%
Undecided	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

Table 1.21 shows that 46% of the total respondents answered "Yes", 44% answered "No", while 10% were undecided, that is, do not know whether average Nigerian is aware of the global financial meltdown.

### **3.9 Hypothesis Verification and Analysis Based on the Data Collected from the Respondents; using Percentage.**

**Hypothesis "A":** Greed/corruption by financial regulators and institutions contributed to the global financial meltdown.

**Responses on question "17" of the questionnaire is used to verify the generalization of the hypothesis.**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	90	90%
No	8	8%
Undecided	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

**Interpretation:** 90% of the total respondents agreed to the hypothesis which constitute the majority of the respondents. Consequently it can be inferred authoritatively that greed and corruption by financial regulators and institutions contributed to the global financial meltdown.

**Hypothesis "B"** Poor managerial skills and knowledge by broads of the companies and financial institutions are associated with the occurrence of global financial crisis.

**Responses on question '18' of the questionnaire is used to verify the validity and reliability of the hypothesis.**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	86	86%
No	14	14%
Undecided	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

**Interpretation:** 86%, which is the largest proportion of the total respondents agreed to the hypothesis to be valid, consequently, conclusion can be drawn that "poor managerial

skills and knowledge by boards of companies and financial institutions are associated with the occurrence of global financial crisis.

**Hypothesis "C":** Global economic integration (globalization) is responsible for the global spread and impacts of the financial crisis on the Nigerian political economy and that of Africa in general.

**Responses on question '14' of the questionnaire is used in verification of the validity and reliability of the hypothesis.**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	80	80%
No	10	10%
Undecided	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

**Interpretation:** 80% which constitute the majority of the total respondents affirmed to the postulation of the hypothesis, which shows that the hypothesis is valid. Consequently, it can be generally inferred that the global economic integration (globalization) is also responsible for the global spread and impacts of the financial crisis on the Nigerian political economy and that of Africa in general.

**Hypothesis "D"** the amelioration in the magnitude of the negative effects/impacts of the global financial meltdown on the Nigeria's political economy is as a result of policy responses by the government and corporate financial institutions and regulator?

**Responses to question '15' and '19' of the questionnaire are used to verify the validity and reliability of the hypothesis**

**Question 15**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	84	84%
No	14	14%
Undecided	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

**Question 19:**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	70	70%
No	30	30%
Undecided	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>

*Source:* Field work, November, 2011 of the respondents.

**Interpretation:** 84% and 70% of the total respondents in question '15' and '19' respectively agreed to the assertions of the hypothesis which therefore proves it to be valid and reliable by the virtue of their being the majority. It can now be inferred that the amelioration in the magnitude of the negative effects/ impacts of the global financial meltdown on the Nigeria's political economy is as a result of policy responses by the government and financial corporate institutions and regulators.

**Hypothesis “E”** There is poor knowledge of the impacts and awareness of the global financial meltdown among Nigerians, especially the lower class without post secondary school education.

**Responses on question “21” of the questionnaire is used to verify the approval of the hypothesis based on its reliability and validity.**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	46	46%
No	44	44%
Undecided	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>

**Interpretation:** 46% of the total respondents agreed to the hypothesis. It means that there is fairly good and shallow awareness about the effects and impacts of the global financial meltdown among Nigerians.

**Policy Prescription to the Findings and Inferences of the Hypotheses**

- Government should put measures in place to deter and checkmate the corrupt practices and greedy officers of the financial institutions and regulators
- Secondly, government and financial corporation should ensure the employment of experts and professionals in financial sectors and institutions. There should also be regular and periodic training, seminar and workshop of the financial officers on the new methods and techniques of operations.

- Thirdly, there should be caution in economic integration to the global world system.
- Finally, there should be increase awareness campaign on economic and political situation of the local and world economy.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **4.1 Summary**

The said global financial meltdown, which originated from the United States of America as a result of defaults in subprime mortgage lending was initially, believed would have impact only in economically advanced countries that are highly integrated to the world economy; suddenly penetrated the economies of Africa which Nigeria is part and parcel. Though the magnitude of the effects was less than what transpired in the countries of United States and Europe, it still shared some similarities of effects (Client effects).

Furthermore, the effect was characterized by reduction in oil revenue, downturn of shares, declined direct foreign investment, reduction in portfolio investment, lowered foreign remittances from abroad, amongst others. This posed real threat to Nigerian and African economies, as its effects are transmitted also through the public sector and banking system.

It has now been established beyond doubt that, only transparent and best accounting practices can guarantee economic growth and prosperity for all. This is the fact because, sharp practices, greed, bad corporate governance were among the principal causes worldwide. In U.S.A, banking outfits such as the Madoff Investment Securities were central to the financial meltdown.

Consequently, government's financial regulators and other private financial corporate institutions have individually and collectively formulated different economic and financial policy responses to bailout the economy from the monster called financial meltdown. Starting from liquidity infection to interest rate cut down and others. Finally, it is worthy to know that there has been a great success and improvement in the resuscitation of the economies, although there is currently financial crunch in some European countries, like Greece. But this does not erase the fact that the global financial crisis is almost over, if not over. (CNN, August 22, 2011)

#### **4.2 Conclusion**

Much is riding on how Nigeria responded to the impact of the global financial crisis, given its status as a regional player, which accounts for 60 percent of West Africa GDP, and its aspirations of being an international player (Uchem, 2010: 212). The 2003 - 2006 fiscal reforms paid off handsomely and the consolidation of the banks boosted its resilience. All these has raised credibility. This credibility is an asset to be protected and used for further growth of the economic system.

This crisis is not merely a challenge but also an opportunity to diversify and re-position the economy for steadier long-run growth. This can be built into the fiscal stimulus from excess crude account withdrawals by choosing public investments, which will relax infrastructure and other constraints to non oil growth.

Unfortunately, Nigeria may not be able to return to status quo ante. A strategy which gets targets for diversifying the export and tax bases would be highly desirable. This could include greater value-added products in agriculture and related supply chain management. Other sectors such as retail trade and construction also offer diversification opportunities as do solid mineral and manufacturing. Nigeria was hit by the global crisis, but it has significant strength and response to the challenges it faces transparently and in a way that engenders confidence in the private investor community while at the same time repositioning its economy onto a more diversified growth path after the crisis subsided. This can definitely be achieved and have no doubt that as a country we shall rise to the occasion.

### **4.3 Recommendations**

The impact of the global financial crisis on both developed and developing economies has necessitated the need for a reexamination of the economic policies being pursued. African countries are also not exempted, especially the fact that the crisis has demonstrated the weakness and the vulnerability of African economy despite the fact that the African economy is not fully integrated into the global economy. There is therefore the need for a new development paradigm whose target should be the making of African economy highly resilient to withstand both foreseen and unforeseen shocks in the global economy.

The first issue therefore is to build a virile economy through indigenization of economic reforms. It is evident that the reforms carried out by many African countries in 1990s have not yielded desired result because those reforms were imposed on them by the IMF and the World Bank as conditionality for support, and government lacked the capabilities to effectively carry out those reforms. Therefore, Africa need a well articulated and implemented economic progarmme. Nigeria for instance, embarked on the implementation of National Economic Empowerment and Development Strategy (NEEDS) from 2003 - 2007. It engendered the contribution of non-oil sector to Gross Domestic Product (GDP), growth in Foreign Direct Investment (FDI), portfolio investment, etc. Until the emergence of global financial meltdown which dampened the growth indication in Nigeria.

Second, the new development paradigm in the financial sector should focus on risk management, especially cross border risks. Thus, Africa must build capacity towards the effective management of these risks as well as strengthening banking regulation and supervision. This will enhance confidence in the banking system and resource mobilization. Also, bank resolution measures need to be complemented with measures to prevent credit crunch such as the adoption of professionalism, transparency, sound corporate governance and good banking practices. These should be geared towards restoring public confidence, restructuring the financial sector, resolving non-performing loan problem, and resolving credit crunch and reviving the normal credit mechanism (four R's) (Union Digest 2009: 28).

The third important issue is that, African countries must stop paying lip service to the issue of economic diversification. The incessant fluctuations in the prices of primary products in the global market have continued to render development programmes unachievable, thereby creating high level of unemployment and increased social crimes in many African countries. In order to achieve rapid diversification, the issue of decayed infrastructure must be addressed. African countries should design measures that encourage diversification of the drivers of economic growth from extractive sectors that are capital-intensive and have low impact on employment to promoting those activities with the highest potential for employment creation and export diversification. Government must also put in place sound economic policy and legal framework in order to attract inflows of foreign direct investment. For Africa to be destination of foreign capital, regional integration must be fast tracked.

In addition, African countries must be cautious in the adoption of the policies of trade liberalization and capital account liberalizations. Although, there are evidences to show that those policies have propelled growth in some countries especially in emerging markets such as China, India, South koura and Japan, their adoption in most African countries have not yielded positive results, simply because the real sector is growth constrained due to high cost of production emanating from harsh economic environment, weak infrastructure, policy inconsistencies, amongst other.

Also, the global responses to the crisis have indicated that market forces alone cannot bring desired growth because of information asymmetry that will make market inefficient. In this regard, effective harmonization of fiscal and monetary policies is required to bring back a country in recession to normality. Policy makers must therefore take the issue of fiscal discipline very serious. As part of promoting fiscal discipline, regional groupings may decide to adopt new benchmark for import cover.

Finally, other areas of economic and financial policy formation include; huge investment on human capital investment which necessitated the need for the education sector to be well developed so that African countries can cope with the changing global dynamics. Lastly, area of radical reform of the external trade policy to enhance national economic development in the long-run with policy of self reliance.

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**APPENDIX**  
**DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC**  
**ADMINISTRATION**  
**FACULTY OF SOCIAL SCIENCE**  
**UNIVERSITY OF BENIN, BENIN CITY.**  
**QUESTIONNAIRE**

Dear respondents,

I am a 400 level student of the Department of Political Science and Public Administration, University of Benin, conducting a research on the topic: "**The Impact of the Global Financial Meltdown on the Political Economy of Africa: A case Study of Nigeria (2008-2010).**"

Please, respond to the questions below with as much honest as possible and to the best of your knowledge about the subject matter.

The research is strictly for academic purpose and I promise that your responses would be treated with utmost confidentiality.

Thanks.

**Instruction:** Please tick | V I in the appropriate box nearest to the options you agree with.

## **SECTION A**

1. Sex: Male [ ], Female I
2. Age: 0-20 [ ], 21-40 [ ], 41-60 [ ], 160 and above [ ]
3. Marital status: Single [ ], Married [ ], Divorced/Separated [ ], Widowed [ ]
4. **Educational Attainment:** No Formal Education [ ], Primary [ ], Secondary [ ], Tertiary [ ], Post-Graduate and above [ ]
5. **Occupation:** Jobless [ ], Apprentice/learning a trade [ ], Self employed [ ], Employed [ ]

## **SECTION B**

6. Have you heard about the global financial meltdown/ crisis before? Yes [ ], No [ ].
7. If Yes, do you know the country/region it originated/ started from? Yes [ ], No [ ].
8. If yes, indicate
9. Do you know the causes) of the said global financial meltdown? Yes [ ], No [ ].
10. Do you agree Nigerian political economy was affected by the global financial crisis between 2008-2010? Yes [ ], No [ ].
11. If yes, cite at least two examples of the effects you observed:
12. If yes to question 10, how would you describe/ categorize its effect on the political economy of Nigeria? Simple [ ], Much [ ], Very much [ ].

13. Do you think economic and political system is associated with the global financial meltdown? Yes [ ], No [ ], Undecided [ ].

14. Do you think economic integration (globalization) is responsible for the global spread of the financial crisis? Yes [ ], No [ ], Undecided [ ].

15. Do you agree that there has been any policy response(s) to the financial crisis by the government and corporate institutions? Yes [ ], No [ ], undecided [ ].

16. If yes, do you believe its yielded/yielding any good result? Yes [ ], No [ ], undecided [ ].

17. Do you think greed and corruption by financial regulators and institutions contributed to the global financial meltdown? Yes [ ], No [ ], undecided [ ].

18. Do you accept that lack or dearth of economic and financial managerial skills/expertise also contributed to the cause of the global financial meltdown/crisis? Yes [ ], No [ ], undecided [ ].

19. Do you think that the global financial crisis has ameliorated/reduced? Yes [ ], No [ ], undecided [ ].

20. If yes, would you accept that the political economy of Nigeria can be insulated/protected from any possible future reoccurrence? Yes [ ], No [ ], Undecided [ ].

21. Finally, do you believe that average Nigerian knows about the effects of the global financial crisis/meltdown. Yes [ ], No [ ], Undecided [ ].