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**THE ABRAMS CURVE OF GOVERNMENT SIZE
AND UNEMPLOYMENT: EVIDENCE FROM 13 AFRICAN OIL
EXPORTING COUNTRIES**

The study investigates the Abrams curve, which is the relationship between government size and unemployment for 13 African oil exporting countries for the period 1991-2017. Panel unit root tests confirm that all the variables of interest are non-stationary. Using the Johansen panel cointegration test the results suggest that there is a long-run relationship. Finally, the long-run elasticities of government size on unemployment are found to take values close to 0.2. The results find evidence for the validity of the Abrams curve in African oil exporting countries.

This study employed the validity of the Abrams curve for 13 oil exporting African countries. The period considered for the study is from 1991-2017 and the choice of the sample is based on the availability of data. The study examined the Abrams curve validity and the following results were discovered. To examine the presence of unit roots in the series, a battery of panel unit root test revealed that all the variables of interest were first difference stationary. The second empirical strategy is to examine the presence of long-run cointegrating relationship between government size and unemployment and it was discovered that there is presence of a long-run relationship

among the variables. Third, the causality test revealed that there is evidence of bidirectional causality between government size and unemployment. Fourth, the panel least square estimates is in favour of the random effect models, and it was discovered that government size has a positive significant relation with unemployment rates in the oil exporting African countries. The average long-run elasticity was found to be 0.14.

Overall the study provided evidence in favour of the long-run Abrams curve, thus

increases in government expenditure tends to increase the unemployment rates in the

oil exporting African countries. The policy implication is that the reduction of government sector can be considered as an additional channel through which employment growth could grow faster. Thus, a successful realization of such economic policy is expected to create a strong base to foster real economic convergence in Africa.

Secondly, there is no business of government in business, thus there should be promotion of the private-public partnership arrangement which can in a way reduce the level of unemployment.

Keywords: panel unit roots; panel cointegration; Abrams curve.