DEFENCE EXPENDITURE AND ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

The paper examines the effects of defence spending on economic growth in Nigeria. The paper finds out that there are several reasons for defence spending which Nigerian governments over the years have indulged themselves which ultimately affect the development of the country. These areas include wrong priority on spending, irrational decision-making and the problem of divided loyalty. The paper found out that increased spending exaggerated by these areas lowers economic development in Nigeria. The authors therefore suggests that the government invest more in education, Agriculture, works, health, housing etc, thereby “exerting a Keynesian impact on economic development by inducing a rise in capacity utilization”

In today’s world, defence responsibility rests squarely on individual country which tries to maintain a military capability to defend its national interests. Stronger countries assist the weaker ones only if their national interest is at stake. For example, Kuwait provides a good example of this assertion: United State of America assisted her because of America oil interest in Kuwait.

In the process of ensuring national security great amount of resources had been lost. During the decade 1989 – 1998, total world military expenditure or spending amounted to $ 9.2 trillion, about one third (1/3) of which was United States of America (USA) military spending. In sub-Saharan Africa, defence budget in the countries by far, dwarf the budget for other governmental activities such as health, Education, Agriculture and Works, the activities that would have benefited a greater number of the population in the form of improved standard of living.

Stump (1978: 10) reported that:

Famine-stricken Ethiopia is the world’s poorest nation. Per capita income stands at a mere $100 a year! There is but one doctor for every 69,000 Ethiopians. Twenty percent of Ethiopian children die before age 5. Meanwhile, a quarter of Ethiopia’s annual government budget is being spent on defence: (some defence analysts put the figure for war-related expenditures at fully one-half Ethiopia’s budget), and to date the Soviet Union has poured well in excess of $3 billion into the country—not in food aid, but in arm! Paradoxically, poverty-stricken Ethiopia maintains Africa’s largest and best-equipped standing army of nearly 250,000 men! Military trucks and personnel that could be used to transport food to Ethiopia’s hungry are used instead against several guerrilla movements.

The situation in Ethiopia is by no means an isolated case. In other words, the situation in Ethiopia is not different from other African countries. Almost all African countries spend a substantial portion of their annual budget on defence and defence related activities to the detriment of other activities of government. Perhaps African countries are simply joining the bandwagon of defence spending extravaganzas which is now a world-wide phenomenon. Stump (ibid) commented:

It is staggering—but true! If one silver dollar—a coin seldom seen in circulation today—were dropped every second, it would take about 32,000
Reasons for Increased Defence Spending in Nigeria

Nigerian leaders have been performing abysmally poor, that the masses have lost confidence in them. Instead of restoring the confidence required of them to the people they lead, these rulers resort to establishing dictatorial governance on the people. Consequently, there is apathy and crises of confidence between the leaders and the led. This ugly trend has lead the leaders to set up security outfits in form of increased and unnecessary defence around themselves. This is the genesis of defence budget and expenditures that have by far out weigh, spending on such important items such as Education, Agriculture, Health, Works, Housing, etc.

The following are the reasons for increased defence expenditure in Nigeria:

i. Wrong prioritization: the problem for most Nigerian leaders is mainly one of priority ranking. Most often Nigerian leaders confused personal and corporate group security with state security, and in the process proceed to build an army by far out of proportion to the resources of the state under the guise of protecting the state. Consequently, the maintenance of such an army becomes the conduit pipe for the draining of the scarce foreign exchange and subsequently plunges into debts. Under such governments the people become free only in their graves (Heinecke, 1986).

ii. Secondly, the problem of nation-building: under the guise of nation-building, Nigerian leaders found themselves in an unenviable position of having to preserve their rule at all costs. In this situation, all real and perceived oppositions to their rule must be crushed and imaginary ones created to justify further repressive measures against their people. Consequently, in spite of the abject poverty of the Nigerian people, our leaders spend a greater chunk of their annual budgets on the maintenance of modern armies whose duty is primarily that of domestic surveillance rather than the defence of their countries against external attack.

iii. Thirdly, faulty or irrational decision-making: Okoli (2004: 209) maintained that the desire to spend excessively on defence in Nigeria and other African state is the product of irrational decisions. For instance, most Nigerian leaders took the decision to borrow money with wrong and dubious motives. The decision to borrow money is sometimes conditioned by dubious motives. Kroll (1987:14) reports that many third world governments including Nigeria borrow money mostly to finance ever-widening budget deficits and to increase the Bank account of some political leaders. It is estimated that if capital owned by wealthy Mexicans in foreign banks were returned to Mexico, that country’s foreign debt would be nearly halved! This situation is the same in most African countries. For instance, the cases of Umaru Dikko in Nigeria, the late Emperor Haile Selassie of Ethiopia, Jean Bodel Bokassa, of central African Republic, the Mobutu Sese Sekos and a host of other African leaders who are said to be richer than their states are eyewitness. Yet these are people who must take decisions on spending and production for their countries. It is then any wonder that Nigerian debt burden is compounding daily? It is all a matter of faulty decisions. We must decide to take rational decision that would maximize the benefits of every Nigerian.
Defence Spending and Economic Development in Nigeria

There are four main channels by which defence burden can influence growth or development. These include stimulation of aggregates demand, spin-off, diversion of resources always from potential civilian investment, and creation of new savings. On creation of additional demand, exponents of beneficial effect of military spending on growth have argued that a rise in military spending on goods and services may lead to increases in aggregate demand thereby "exerting a Keynesian impact on the growth rate by inducing a rise in capacity utilization (knight et al. 1996, p.7). The increase in capacity utilization may also lead to greater employment of labour. An Increase in Demand that leads to more efficient capacity utilization, lead to a rise in profit rate and to increase investment and ultimately to faster growth.

The economic spin-off of defence spending has many ramifications. The argument is that the military through Rand D may foster faster technological progress which affects civilian economy indirectly. Other direct and indirect spin-offs include provision of technical skills, educational training and medical care, and creation of infrastructure all which are beneficial to economic development. It is argued that military training contributes to improving the educational level and discipline of the labour force and hence acts as a stabilizing force. Thompson (1974) submits that military expenditure can be ecumenically productive to the extent that it enhances national security and improves the enforcement of property rights which encourage private investment and growth.

Moreover, in an underdeveloped country, the military remains the most modern institutions. They help create the sociological structure conducive to growth by destroying questionable acceptance of local customs and tradition and in substituting national for local, ethical, or tribal consciousness.

The allocation of resources away from more productive investments has generated much debate. While agreeing that defence burden may have detrimental effects on economic growth because military expenditures may divert resources away from production civilian investment, Beloit and other exponents of the beneficial effect of military spending on growth and development argue that the negative impact is more than compensated by which such positive effects as stimulation of demand, modernization of the economy, efficient organisation of production, and increased availability of foreign resources.

To back up this claim, Beloit further submits that if a developing country spends less on defence, it does not mean that the shortage will be spent on more investment. Rather, the additional resources released by decline in military expenditure may be frittered on non-productive expenditure such as extravagant consumption, or imported luxurious goods. In studies by Beloit (1974), benoit (1978) who tested the hypotheses that defence spending promotes economic growth, they generally arrived at results which show that military spending helps development.

However, an important consequence of defence spending is its indirect effect on the savings rate or saving-income ratio and hence investment in developing countries. In such countries an increase in defence spending may lead to reduction in expenditure in health, education, water, electricity, transportation, and communication. This may lead to corresponding increase in private sector spending on these items. But since income is inelastic, aggregate consumption expenditure increases, and more is spending on education, health care service, transportation etc, all of which significantly increases consumption.

This means a reduction in the national saving ratio and hence in investment. This point is extremely important in developing countries where majority of the people are already living on
subsistence level (Deger, 1986). For this group of people, a reduction in government expenditure on social services will force them to “reduce their meager savings in order to finance current expenditure”.

But the positive effect of defence spending on growth or development has been challenged by others. Rothschild (1977), Deger (1979), Deger and smith (1980), Faini et al (1980), Deger and sen (1983), Frederiksen and Looney (1983), Lim (1983), Deger (1986), Biswas and Ram (1986), indicate negative relationship. These studies indicate that defence spending hinder economic growth in the sense of slowing down the development process.

Firstly, they argued that in less developed countries, the military industrial complex is most nonexistent. This means that equipments, machinery and ammunition among other have to be imported rather than manufactured locally, thereby worsening the balance of payments problems and reducing the multiplier effects on employment generation.

Secondly, defence spending crowds out private sector investments and leads to slower growth. They maintain that defence spending, by diverting resources away from civilian uses, reduces the level of resources available for private sector investments. By reducing the potential savings available for planned investment, defence spending enlarges the savings – investment gap with adverse effect on economic development. They argued that military spending is not governed by any market processes. Hence it tends to be distortion resulting in deadweight loss to total productive capacity and to negative externalities on capacity output. These include military procurement preferences for certain companies and industries, and the existence of rent seeking activities around military because of non-competitiveness in resources allocation.

**Conclusion**

The objectives of this study have been to investigate the effect of defence spending on economic development of Nigeria. Our result shows that the effect of military spending on average propensity to save is negative. An increase in defence burden, all things remaining the same, may lead to a decline in savings rate.

Military burdens hamper economic development in Nigeria. This goes against the findings by Benoit and others with respect to the positive effect of defence burden on growth in developing countries. There is evidence that increase in defence spending will raise the rate of growth in Nigeria only if a partial view of the complex interrelationship is considered. When the direct and indirect effects are considered military burdens retards economic growth.

Defence Burden not Sensitive to Administrative Regimes in Nigeria.

There are two major constraints to economic growth in Nigeria. One is structural (modernizing role), and the other is inadequate savings.

It will appear that military establishment in Nigeria has a modernizing role and can contribute to change in structure. Perhaps, this is due to their long presence in government. Their institutional dynamics stimulates growth to some extent. But the fact remains that defence spending allocates scarce resource away from productive civilian investment, depress the average propensity to save, and this ultimately hampers economic development.

**Recommendations**

On the basis of the above discussion, we recommend the following:
**Defence Expenditure and Economic Development in Nigeria**

1. There is need to allocate resources to investment rather than to the military in Nigeria. This may involve a gradual process of demobilization coupled with more prudent utilization of scarce resources.
2. The military should be subjected to the same standards of accountability and transparency that apply to civilian sectors.
3. Efforts should be also be made to achieve peaceful coexistence with neighbours.
4. The decision to spend should be conditioned on rational analysis.

**References**


Stump, K.W. (1987). Defence spending: is there a better way?