

# DEMOCRATIZATION AND THE MILITARY IN NIGERIA



*edited by:*  
**'Lai Olurode and Remi Anifiwose**

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# Democratization

and the

# Military in Nigeria

*edited by*

**'Lai Olurode and Remi Anifowose**

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## **CHAPTER NINE**

### **DEFENCE EXPENDITURE AND DEMOCRATIC GOVERNANCE IN NIGERIA: A STUDY OF BUDGETARY BEHAVIOUR**

*Risikat Oladoyin S. Dauda,*

#### **9.1 Introduction**

That the quality of governance is an important determinant of a nation's economic development is a well-established proposition in social sciences literature. Governance as a concept relates to the act of administering and its effectiveness, whether or not one governs well in accomplishing the required expectations. It is through governance that aggregated interests get articulated and translated into action. Where governance is transparent and accountable then we talk of good governance. Good governance is probably unthinkable in the absence of credible and committed leadership. The social contract between the Prince and the people can only be actualised only through good governance. And leadership type really makes a difference between development and underdevelopment. The growing centrality of governance as a key variable for the explanation of economic performance acknowledges the importance of democratic content of governance as a prerequisite for sustainable development (Maravall, 1994, Chete and Roberts, 1996). Accordingly, it is now widely accepted that the establishment of democratic governance should be central to the creation and sustenance of an enabling environment for development. To buttress this proposition, Fadahunsi (1996: 170) reiterates that the problem of underdevelopment in socio-economic terms of the countries with low level of industrialization and poor physical and social infrastructure has been attributed to the weak or non existence of democratic institutions- parliament, independent judiciary, free media, and non governmental organisations and mass social movements within the civil society. Because democratic institutions are not well entrenched and articulated, there has not been good governance. For central to good

governance and the development process is a virile democratic culture and the concomitant institutions.

One of the contending issues in the economic development literature concerns the rationale for increased defence expenditure in a democratic dispensation. In Nigeria, the recent rethinking that the return to civil rule would usher in peaceful society and therefore promote economic growth and development with a drastic reduction in military expenditure has put issues of budget in the public domain. Budgeting is an important instrument of governance in any modern state. The analysis of budgetary behaviour has become enduring areas of investigation for several reasons. First, the fiscal control inherent in budget represents an extremely important instrument of macroeconomic management. Second, it provides a rich insight into a government's preferences and priorities. Moreover, it reflects struggle between social classes and ascertains the prevalent system of domination. In economics, choices are often made between alternative in situation of scarcity of economic resources. There are implied opportunity costs as well. Thus, budgetary allocation is a power relation as well.

It is widely accepted that military budgetary allocation is crucial in the democratization process and development calculus of any nation. This is borne out of the fact that meaningful investment and economic prosperity are dependent on the level of security available. In turn, security to lives and properties is a necessary precondition for full democratic consolidation. In agreement with this view, Diamond (1990) opined that defence expenditure by ensuring the maintenance of security and public order might be essential precondition for healthy investment environment. However, this claim has not gone unchallenged. For instance, since the late 1980s, external donors increasingly have pressured African governments to reduce funding for the security sector, particularly for the armed forces. This has been expressed in the insistence of the so-called "three D's": democratize, demobilize and downsize. An objective of this pressure has been to increase the resources available for other priorities of African national development. To support this line of thought, Arora and Bayoumi (1994) argue that

reduction in world military spending would offer significant long – term benefits for private investment and private consumption, especially for developing countries. Depending on the structure of a country's economy and the composition of her military expenditure, reduction in military spending may have positive welfare effects on the populace though the primary impact of the reductions will be on national security.

Given the foregoing background, in this paper, we shall examine the responsiveness of democratic governance to defence expenditure in Nigeria by approaching it from a budgetary perspective for the period 1979-2003. This becomes pertinent because it would help our general understanding of defence expenditure and be useful to consider some of the financial implications inherent in defence budgeting and the budget profiles commitment in the areas of socio-economic and political choice. The rest of the paper is organized as follows: Section 2 presents brief theoretical foundation and literature review. Section 3 contains framework of analysis and results of findings. Section 4 presents policy implications and conclusion.

## **9.2 Defence budgeting, Democratic Governance and the Economy: Theoretical Foundation and Literature Review**

The concept of defence budgeting refers to the allocation of resources of money, manpower and productive capacity for military uses. It is an organizational routine that reflects the interplay of strategic objectives and national resource constraints. As such, it is a two-tiered exercise in choice: a means of making decisions as to the resources to be devoted to a state's defence establishment and, on a different level, a way of deciding how these resources will be allocated within the defence establishment (Burt, 1975; Imobigbe, 1988). Economists, policy makers, and development experts had long realized the importance of defence budgetary allocation in the development process. Adam Smith (1937) buttressing the crucial role of defence budgeting in *The Wealth of Nations*, declares that the provision of national defence

from public funds should be the “first duty of the sovereign”. He argues that soldiering will be activity carried out by all as the need arises, this being feasible as the methods of warfare in such circumstances were supposedly unsophisticated. However, as the art of war, “the noblest of all arts”, evolved, such a casual military organisation was no longer possible for two major reasons. First, wars became more protracted, implying that soldiers could no longer provide for themselves whilst campaigning. Secondly, the technology of warfare developed and thus put the costs of weaponry beyond the reach of individual’s income. Adolf Wagner (1958) also underscores the importance of defence spending as a major component of most economies. In his theoretical statement contained in the *Law of Expanding State Activity*, he argued that public expenditure can be divided into two categories, security and warfare and that security expenditure was bound to increase with the growth of the progressive state as armies became larger and more capital intensive.

A number of studies have examined the relationship between domestic military spending and the domestic economy (Whynes, 1977; Mckinlay, 1989) while others have focused on the determinants of military expenditure (Deger and Sen, 1995; Dunne and Nikolaidou 2000).

The literature on defence spending justifies heavy investment in the defence sector and in particular, in those industries producing military requirements in terms of the existence of the *spin-off*. The argument revolves around the possibility of the transfer of technology from *military* to *civil* industry. Expenditure on military research and development, it is said, might produce new knowledge, techniques and materials which may have direct civilian applications, and the use of this new technology would clearly increase the economy’s productive potential. The industrial experiences of the United Kingdom, the United States of America and India provide theoretical and empirical support for the believe in the existence of the spin-off

Most of the evidences in literature on the determinants of defence expenditures generally agreed that the level of military



expenditure is determined by five factors. These include: the influence of external conflicts, the requirements of internal security, domestic bureaucratic and budgetary factors, the influence of the armed forces themselves, the role of the major factors such as military coups, regimes and arms sales (Ball, 1988). These factors are all assumed to be related politically and security-wise. Although political and military influences are quite important, the crucial and central determinants of defence expenditure are budgetary and financial resource constraints.

In Nigeria, with the advent of democratic rule, the debate on the relevance of increased defence budgetary allocation is important. Given the fact that the democratic electorates are more likely to demand policies that moderate the extremes of economic inequality, and to support state spending on health, education and the physical infrastructure rather than on the military or on prestige projects with little social utility. This paper is of the view that defence budgetary allocation is important in the Nigerian economy, even within the context of democratic governance, because of its dominant role in increasing the level of security in the country. Although there is an inverse relationship between the budgetary allocation to defence and the level of economic growth and sustainable development, the impact of insecurity on the nation's economic growth and development is highly deleterious and should be given considerable attention in development programmes.

### **9.3 Framework of Analysis**

#### **Data Sources and Research Method**

The data employed in the analysis were sourced mainly from the publications of Central Bank of Nigeria namely: Statistical Bulletins, Annual Reports and Statement of Accounts for various years. The analysis is aimed at investigating the responsiveness of democratic governance to defence expenditure. The period of analyses stretches from 1979 to 2003. Using ratio, trend, correlation and regression analysis, the paper evaluates two sets of relationships between defence expenditure and the total

federal government budget size on a comparable basis between the military regimes of Generals Buhari, Sani Abacha and Ibrahim Babangida (1984 – 1998) and two civilian regimes headed by Alhaji Shehu Shagari and Chief Olusegun Obasanjo between 1979-83 and 1999-2003 respectively. The sets of relationships are: First, we investigate the degree of relationship existing between defence expenditure and total government budget size using simple correlation analysis. A perfect positive correlation between the two variables is expected.

Furthermore, defence expenditure (Y) was investigated to examine its trend pattern.

The time trend model is stated as:

$$Y = f ( T ) \text{ -----(1)}$$

or

$$Y_t = b_0 + b_1T_t + u \text{----- (2)}$$

Where  $b_0$  and  $b_1$  are the relevant parameters. The values for  $b_1$  for the various periods show the degree of relationship between defence expenditure and time. The meaning of such a time variable is that there is an autonomous trend experienced by the dependent variable. The coefficient of time is interpreted as a measure of autonomous growth.

Secondly, to amplify our understanding of defence expenditure, we investigate the nexus between defence expenditure and health and education expenditure. Budgetary expenditures to some extent reflect government's preferences and priorities. Often times, *ceteris paribus*, expenditure in any one area incurs an opportunity cost in another. Thus we investigate to what extent defence expenditure may be made at the expense of health and education expenditures. In this regard, we examine the relative changes in the proportion of GDP and total budgetary expenditures to defence, education and health expenditures for the period under consideration.

A major limitation of the study is paucity and inaccuracy of data. As a result, the content analysis of defence budgetary allocation cannot be undertaken. The secrecy of military data is however understandable. As Whyne (1979) aptly declares "in a

situation of potential or actual economies, knowledge of one's defence capabilities, in terms of resource allocation is clearly of strategic value to one's potential or actual enemies". As such some of these data must not be for public consumption. In the paper, the term 'military' is sometimes used interchangeably with 'defence'

#### 9.4 Data Analysis, Results and Discussion

The first area of investigation centers on the issue the relationship between overall budget size and defence expenditure. Using correlation analysis, the study observes that there is a perfect positive correlation between budget size and military expenditure for all the period under consideration. The simple correlations between total budgetary allocation to defence and total federal budget size for the period 1979-83; 1984-98; and 1999-2003 are 0.91, 0.98, and 0.67 respectively at the 0.05 level of significance. This indicates that the budget size, *ceteris paribus*, predicts positively to defence. By implication, defence expenditure increases with budget size. Consequently, the military becomes a beneficiary of larger public spending during the period under consideration.

To quantify the influence of time on defence expenditure, equation (2) yields the following straight -line equations (3), (4), (5) for the various sub-periods under consideration.

$$\text{For 1979-83: } Y = 7.24014 - 0.15366T \text{ -----(3)}$$

(226.023) (-5.34158)

$R^2 = 0.90486$ ; DW = 3.1892

$$\text{For 1984-93: } Y = 5.69992 + 1.26829T \text{ -----(4)}$$

(12.35362) (5.5183)

$R^2 = 0.7008$ ; DW = 0.3334

$$\text{For 1999-2003: } Y = 10.11839 + 0.77891T \text{ -----(5)}$$

(36.87235) (3.16063)

$R^2 = 0.769046$ ; DW = 2.355

These estimates are relatively satisfactory, judging by the values of R2 and the DW in each case, except in equation (5). The intercept parameter and the time coefficients are both significant at 5% level in all the equations. On a net basis, it is obvious from equation (3)

that there is a negative relationship between spending and time. Defence expenditure is falling with time. The amount of money spent on the defence sector was insignificant. This among other reasons probably accounted for the fall of the regime to military dictators. Expectedly, there is a positive link between time and spending on the defence sector between 1984 and 1998. Defence spending was increasing with time during this period. From equation (5), it is evident that Obasanjo's administration takes a pragmatic approach to military sector. Defence spending is more significant during 1999-2003 than 1979-83. Obasanjo's administration might be spending on the military to encourage them stay in the barracks.

Furthermore, in order to shed more light on defence expenditure, we examine the trend in recurrent and capital expenditure to the defence sector. Table 1 shows the defence budgetary allocation for the study periods 1979-83, 1984-98 and 1999-2003 respectively. Capital expenditure averaged ₦549.06 million in 1979-83. It maintained the systemic rise throughout the period and stood at ₦11883.04 million in 1999-2003. The mean value of recurrent and total expenditure does not portray any significant departure from the one described above. One important observation from this is that, at face value, the results seems to suggest that more money is spent on components of recurrent expenditure (personal cost and general administration) than investments in military equipment and capacity building. To evaluate the relative importance of these variables in the economy, the ratio of capital, recurrent and total defence budgetary allocation in GDP and total federal budget estimate is calculated. The ratio depicts the magnitude of government's commitment to the defence sector. The ratio of capital defence expenditure to total expenditure has been declining as could be seen from table 1. It decreased from 6.85 percent in 1979-83 to 5.5 percent in 1984-98 and later dropped to 3.7 percent in 1999-2003. The trend in recurrent and total defence expenditure is not entirely different. The ratio of defence budgetary allocation to GDP indicates the relative importance of defence expenditure in the domestic economy.

Evidence from table 1 shows that it assumed greater significance during democratic dispensation. The ratio of total budgetary allocation to defence averaged 2.46 percent in 1979-83, fell to 0.86 percent in 1984-98, it however attained 1.13 percent in 1999-2003. The reasons for this are not far fetched. During democratic rule, there are always civil unrest, internal political problems and intra party crises; consequently, greater proportion of the nation's resources is spent on security-related issues in order to create an enabling environment for political stability and economic development.

**TABLE 1: Mean Values of Defence Budgetary Allocation in Nigeria: 1979 – 2003**

EXPENDITURE	1979-83	1984-98	1999-2003
<b>Capital Expenditure on Defence</b>			
▪ Nominal Value (-N- million)	549.06	43334.87	11883.04
▪ As a ratio of Total Govt. Capital Expenditure	6.85	5.5	3.7
▪ As a ratio of GDP	1.12	0.27	0.23
<b>Recurrent Expenditure on Defence</b>			
▪ Nominal Value (-N- million)	659.6	4057.96	47196.92
▪ As a ratio of Total Govt. Recurrent Expenditure	11.7	7.16	6.92
▪ As a ratio of GDP	1.34	0.6	0.91
<b>Total Budgetary Allocation on Defence</b>			
▪ Nominal Value (-N- million)	1208.66	6101.85	59079.96
▪ As a ratio of Total Govt. Expenditure	8.62	6.19	5.66
▪ As a ratio of GDP	2.46	0.86	1.13
<b>(Number of obserations)</b>	(5)	(15)	(5)

*Source:* Calculated by the Author. Underlying data from (1) Central Bank of Nigeria (2003) Annual Report and Statement of Accounts for the Year ended December 31, 2002. (2) Central Bank of Nigeria (various years) Statistical Bulletin, Abuja Nigeria

The degree of variability of the fund allocation to the defence sector is worthy of consideration. The recurrent capital, recurrent and total expenditures remain highly volatile between 1979-2003. The coefficient of variation as a measure of variability, of capital expenditure was 19.96 percent in 1979-83; this increased to 182.19 percent in 1984-98 and reduced to 62.56 percent in 1999-2003 (Table 2). It is evident that recurrent, capital and overall total expenditure tended to experience high variabilities during the period 1984-98 and 1999-2003. Consequently, it became difficult to achieve a significant level of stability in these key variables during the period in consideration.

**TABLE 2: Variability in Defence Budgetary Allocation in Nigeria: 1979-2003**

EXPENDITURE	1979-83	1984-98	1999-2003
<b>Capital Expenditure on Defence</b>			
▪ Mean (-N- million)	549.06	43334.87	11883.04
▪ Standard Deviation	109.6	78953.43	7434.15
▪ Coefficient of Variability (%)	19.96	182.19	62.56
<b>Recurrent Expenditure on Defence</b>			
▪ Mean (-N- million)	659.6	4057.96	47196.92
▪ Standard Deviation	77.36	4825	24919.54
▪ Coefficient of Variability (%)	11.73	118.9	52.8
<b>Total Budgetary Allocation on Defence</b>			
▪ Mean (-N- million)	1208.66	6101.85	59079.96
▪ Standard Deviation	125.95	7382.34	31981.12
▪ Coefficient of Variability (%)	10.42	120.99	54.13
<b>Number of observations</b>	5	15	5

Source: Calculated by the Author. Underlying data from (1) Central Bank of Nigeria (2003) Annual Report and Statement of Accounts for the Year ended December 31, 2002. (2) Central Bank of Nigeria (various years) Statistical Bulletin, Abuja Nigeria

The study examines the link between defence expenditure and health and education expenditures. Investment in health and education is an important prerequisite and an invaluable asset for a country's socio-economic and political transformation. Table 3 shows relative defence, education and health expenditures for the period under consideration. Trend analysis of education and health expenditures serves as a vehicle for amplifying our understanding of defence expenditure. We compare the relative proportions of GDP committed to the expenditure on the defence, education and health. As evident from the table, greater resources are committed to the defence than to either education or health. We can deduce from the results that democratically elected governments have the tendency to devote greater resources to the defence sector. The relative proportions of GDP to defence, education and Health during 1979-83 were 2.456, 2.226 and 0.571 respectively compared with 0.862, 0.927 and 0.312 during 1984-98. Between 1999-2003, the government spent 1.133, 1.269 and 0.706 of the GDP on defence, education and health respectively. The findings in table 4 which show the relative proportion of total federal budget size to defence, education and health expenditure follow the same pattern.

Another useful measurement of government's preferences and priorities is to compare growth rates of these different expenditures in relation to the whole economy. As can be seen from table 5, defence expenditure displays a negative growth during the period 1979-83. All other variables showed a positive growth rates. However, while the growth rates of defence are higher than the rate of growth of the economy (GDP) during 1999-2003, it is lower during the military regimes (1984-98).

**TABLE 3: Nigeria's Relative Proportion of GDP to Defence, Education and Health Expenditure for Selected Years: 1979-2003. (%)**

<b>EXPENDITURE</b>	<b>1979-83</b>	<b>1984-98</b>	<b>1999-2003</b>
<b>A. Defence Expenditure</b>			
▪ Mean	2.456	0.862	1.133
▪ Standard Deviation	0.522	0.32	0.508
▪ Coefficient of Variability	0.213	0.371	0.448
<b>B. Education Expenditure</b>			
▪ Mean	2.226	0.927	1.269
▪ Standard Deviation	0.538	0.453	0.417
▪ Coefficient of Variability	0.242	0.489	0.329
<b>C. Health Expenditure</b>			
▪ Mean	0.517	0.312	0.706
▪ Standard Deviation	0.066	0.143	0.299
▪ Coefficient of Variability	0.128	0.458	0.424

Source: Calculated by the Author. Underlying data from (1) Central Bank of Nigeria (2003) Annual Report and Statement of Accounts for the Year ended December 31, 2002. (2) Central Bank of Nigeria (various years) Statistical Bulletin, Abuja Nigeria



**TABLE 4: Nigeria's Relative Proportion of Total Federal Budget Size to Defence, Education and Health Expenditure for Selected Years: 1979-2003. (%)**

EXPENDITURE	1979-83	1984-98	1999-2003
<b>A. Defence Expenditure</b>			
▪ Mean	8.618	6.185	5.661
▪ Standard Deviation	1.168	1.458	2.348
▪ Coefficient of Variability	0.136	0.236	0.415
<b>B. Education Expenditure</b>			
▪ Mean	7.994	6.506	6.391
▪ Standard Deviation	2.104	1.956	2.124
▪ Coefficient of Variability	0.263	0.301	0.332
<b>C. Health Expenditure</b>			
▪ Mean	1.917	2.216	3.512
▪ Standard Deviation	0.578	0.594	1.387
▪ Coefficient of Variability	0.302	0.268	0.395

*Source:* Calculated by the Author. Underlying data from (1) Central Bank of Nigeria (2003) Annual Report and Statement of Accounts for the Year ended December 31, 2002. (2) Central Bank of Nigeria (various years) Statistical Bulletin, Abuja Nigeria

**TABLE 5: Growth Rates of GDP, Defence, Education and Health Expenditures for Selected Years: 1979-2003.**

Variables	1979-83	1985-93	1999-2003
<b>A. Mean Growth Rates of</b>			
▪ Education Expenditure	18.84	37.27	32.32
▪ Health Expenditure	21.93	39.34	33.53
▪ Defence Expenditure	-3.34	26.69	29.40
<b>B. Mean GDP growth rates</b>	10.72	35.58	21.73

*Source:* Calculated by the Author. Underlying data from (1) Central Bank of Nigeria (2003) Annual Report and Statement of Accounts for the Year ended December 31, 2002. (2) Central Bank of Nigeria (various years) Statistical Bulletin, Abuja Nigeria

In summary, from the foregoing analysis we can find evidence that defence expenditure is responsive to democratic governance in Nigeria. There is a tendency to expend huge financial resources on the defence sector as a means of fostering support of the military as well as protecting lives and properties of the Nigerian populace. However, evidences abound that the aim of increased budget allocation to defence has been defeated, in view of the incessant socio-economic and political insecurity in the country. Atoyebi (2003) corroborated this point when she confirms that the period 1999-2003 witnessed the breakdown of public order with inter and intra ethnic conflicts, religious crisis, extra judicious killings, political assassination, small arms proliferation, armed banditry and ethnic militia war constitute major internal threat to public security in Nigeria. Some of the violent crises that claimed thousand of lives and destroyed properties worth millions of Naira are the Ife/Modakeke; Agulari/Imuleri; T.V./Junkun conflict as well as the Ijaw/ Itsekiri. All these violence and wanton destruction of life and property show the extent and magnitude to which the budget allocation to defence has not been justified.

## 9.5 Policy Implications And Conclusion

This paper has analyzed the responsiveness of democratic governance to defence expenditure in Nigeria. Within this context, it explores the nature and behaviour of defence expenditure from budgetary perspective between 1979 and 2003. Using ratio, trend and correlation analysis, the paper evaluates two sets of relationships between defence expenditure and the budget on a comparable basis between the military regimes of Generals Buhari, Sani Abacha and Ibrahim Babanginda (1984-98) and two civilian regimes headed by Alhaji Shehu Shagari and Chief Olusegun Obasanjo between 1979-83 and 1999-2003 respectively. The results show that there is a positive correlation between total federal government budget size and defence expenditure. The growth and expansion of education and health expenditure is not as high as in the area of defence expenditure. There is variation in the commitment to education and health expenditures during the period under review. The study found evidence that military expenditure is responsive to democratic governance in Nigeria. There is a tendency to expend huge financial resources on the defence sector as a means of fostering support of the military as well as protecting lives and properties of the Nigerian populace. The paper argues that an important challenge facing Nigeria is that of an appropriate mechanism for translating military expenditure to accelerate sustainable development.

The policy implication, therefore, is not that there should not be appropriate budget allocation to defence but rather emphasis should be on the judicious use of the military budgetary allocation to boost the morale and standard of living of the security agents. Moreover, if the military's welfare compare favourably with others in society, the fear of military incursion into politics becomes unwarranted. And a better way of allaying the fear is through a judicious disbursement of defence budget. Thus the military defence allocation becomes supportive of democratization. Furthermore, democratically elected government should strive to deliver democratic dividends to the people by ensuring security of lives and properties, peace and stability in the socio-economic

environment. Fortunately, the ordinary people expectations about governance are minimal – most require only the basic necessities, dignified existence, political participation and respect for the social contract. This, by implication, will facilitate foreign direct investment, rapid economic growth and sustainable development.

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## ABOUT THE BOOK

With all its imperfections, Nigerians have come to settle for even the worst form of civilian rule even if democratic rule is still a remote possibility. Fortunately, the military has also come to the realization that it hardly fare better under military rule as professionalism is the first casualty. Under the forces of democratization, professionalism is creeping back into the military. Moreover, the intra-military social tensions and cleavage that result from the involvement of a fraction of the military in politics should begin to disappear. Politicians must however be circumspect in indulging in practices that activate militarism under the guise of democratization. The book, apart from the above, explores the reciprocal relationship between the military and democratization and their dialectics.

## ABOUT THE EDITORS

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