

# Chapter 42

## Military Expenditure, Economic Growth, and Foreign Policy Implications: The Case of Ghana and Nigeria Within the ECOWAS, 1986–2016

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### ABSTRACT

*The chapter discusses the nature of the relationship between military expenditure, economic growth, and foreign policy commitments, and the consequences on economic growth of apportioning an increased part of the gross domestic product to the military in developing countries of Ghana and Nigeria within the Economic Community of West Africa during 1986-2016. Military expenditure has generated controversy, especially in developing countries of Africa, as it competes with demands for sustainable growth and development. Applying the Johansen co-integration test and Granger causality, the results show that high growth rates have enabled the two countries to increase military spending, ensure their own domestic security, and fulfill international security commitments in the West African sub-region and internationally, with negative effect in the long-run and positive effect in the short run on economic growth. The lack of defense and military expenditure linkage with the wider economy is the resultant socio-economic cost recorded over the period under study.*

### INTRODUCTION

Debates about bread and butter issues (economic growth and development) and military spending (armaments) have preoccupied scholars for years, more so in relation to developing countries. This is because both involve government spending and point to policy priorities, and provide lessons on how to re-prioritize expenditure in the quest for development in the light of increased military spending. Admit-

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tedly, both national security and economic growth are necessities for a country. The problem lies with balancing security and growth. By virtue of being poor, developing countries are expected to allocate a large portion of resources to development. However, paradoxically, developing countries allocate a large amount of their gross domestic product (GDP) to military expenditure (ME), and increase it even when faced with declining economic growth. The question is why? Does economic growth impact ME and foreign policy orientation, and vice versa? What is the nature of the causality? What factors explain the causality of economic growth with ME and foreign policy? What are consequences of ME on the economy in the developing countries, including Ghana and Nigeria? Whereas, there is considerable debate on developing countries' growth-military relationship, the nature of causality among the three variables consisting of economic growth, ME and foreign policy objectives have not received much attention, in general and in the case of Nigeria and Ghana as powerhouses in West Africa, in particular. Moreover, efforts have not been made to test hypotheses on economic growth, ME and foreign policy choices in relation to Ghana and Nigeria.

The chapter is organized into five main areas: First, is the literature review that examines the hypotheses, context, and the relationship between economic growth, ME and foreign policy orientations. Second, are the objectives of the study. Third, the discussion focuses on the data and relevant methodology. Fourth, it analyzes the data and interprets the findings. Lastly, is the conclusion and policy recommendations.

## **REVIEW OF RELATED LITERATURE**

Governments play an important role in both economic growth and military expenditure. One cannot exist without the other as there is mutuality: national security is a priority for every country to ensure a conducive environment for economic growth. However, military expenditure competes with other demands for public investment including citizens' welfare, which requires proper balance between military and civilian expenditure; and considers the effects of increased military spending on growth. Therefore, this section examines the context critical to understanding the causal relation between Gross Domestic Product (GDP) and military spending, the consequences of military expenditure on growth, and implications for foreign policy objectives and behaviour. The discussion goes further to focus on theoretical arguments about the military expenditure-GDP nexus and its relationship to foreign policy demands. Determinants of high military expenditure and consequences thereof, are explained as well. Empirical literature shall be presented that support theoretical arguments that show variations in the impact by GDP on military expenditure and vice versa, and in some cases emphasize mutuality between the two. The two countries, Nigeria and Ghana, are analyzed to establish the relationship among the three variables of economic growth, military expenditure, and foreign policy goals. We analyze the motivations behind a state's decision to increase military and defense spending, variations in a country's Foreign Direct Investment (FDI) within the context of foreign policy goals is to be verified within the hypotheses as set-forth.

In general terms, three hypotheses can be deduced about a state's military expenditure which in turn would be applied to Ghana and Nigeria as follows: There is a positive correlation between a country's levels of GDP and military expenditure, which in turn, significantly influences its foreign policy framework.

1. To survive as a modern nation-state, a country has to significantly increase its military expenditure to promote its foreign policy goals.

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