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Federal Public Spending and Economic Growth: The Case of Two Periods

By

Mahmood Omeiza Adeiza[1*], Buhari Ibrahim[2]

Department of Accounting, Faculty of Management Sciences Usmanu Danfodiyo University, Sokoto.[1,2]

Abstract: This study examines the impact of federal public spending on Nigeria's economic growth across two distinct periods—one marked by political instability (1982–1999) and the other by political stability (2000–2011). Drawing from economic theories such as Keynesian economics and endogenous growth theory, the study investigates how government stability influences the effectiveness of public expenditure. Using an ex-post facto research design, secondary data from the Central Bank of Nigeria and the National Bureau of Statistics were analyzed through descriptive statistics, correlation, and regression analyses. Findings indicate that during periods of political instability, federal public spending was often misallocated, leading to inefficiencies and weaker economic growth. Conversely, stable governance fostered more effective fiscal policies, leading to stronger economic performance. Statistical analyses revealed a stronger positive correlation between public spending and economic growth in stable periods ($r = 0.85$) compared to unstable periods ($r = 0.42$). Regression results further confirmed the significance of federal spending in driving economic growth under stable regimes ($\beta 1 = 0.78$, $p < 0.01$) but showed an insignificant impact during unstable periods ($\beta 1 = 0.31$, $p > 0.05$). The study underscores the critical role of political stability in optimizing the effectiveness of government expenditure. It recommends strengthening governance institutions, improving policy consistency, and prioritizing public spending on productive sectors to enhance economic resilience. These insights provide valuable guidance for policymakers and economists seeking to maximize the developmental impact of fiscal policies in politically volatile environments.

Keywords: Economic Growth, Fiscal Policy, Nigeria, Political Stability, Public Spending.

1.0 Introduction

Nigeria's economic growth has been influenced by varying degrees of political stability and instability over the years. Theoretically, public spending during stable periods supports economic growth, while during unstable periods, public spending tends to be misallocated, leading to inefficiency and economic stagnation. This study investigated the impact of federal public spending on economic growth during stable versus unstable government regimes in Nigeria looking at it through the prism of the complex relationship between political stability and economic growth. Previous studies showed that political stability enhances the effectiveness of public spending, leading to increased economic growth, while political instability leads to misallocated public spending, resulting in economic stagnation.

The problem is that Nigeria's fluctuating political stability has significantly impacted the effectiveness of government policies, leading to variations in economic growth. Public spending, in theory, contributes to economic growth during stable periods, whereas during unstable periods, it tends to be misallocated, resulting in inefficiency and stagnation. Nigeria's experience with political instability, particularly during the 1980s and 1990s, has had a significant impact on its economic growth. Thus, this study went on to assess the impact of public spending on economic growth during stable governments; and examine the effects of public spending during unstable governments on economic growth.

This study provided valuable insights into why public spending should be optimized to foster economic growth during both stable and unstable political periods. The findings, relevant for policymakers, government officials, and economists seeking to understand how political stability influences the effectiveness of public expenditure, has contributed to the existing literature on the subject and provided recommendations for policymakers seeking to optimize public spending for economic growth.

The scope of this study covers analyses of Nigeria's federal public spending patterns and economic growth from the periods of stable governance and unstable political regimes. Data from selected years between 1982 and 2011 was used to capture different periods of political stability and instability in Nigeria to investigate the impact of public spending on economic growth during different political regimes. This study provides comprehensive understanding of the complex relationships between federal public spending, government stability, and economic growth in Nigeria.

This study provided insights into the need for optimization of public spending to foster economic growth during both stable and unstable political periods. The findings, being relevant to policymakers, government officials, and economists in understanding how political stability influences the effectiveness of public expenditure serve as an added significance for academic scholars exploring the intersection between political economy and economic development. In addition, the scope of this study has covered the analysis of Nigeria's public spending patterns and economic growth from the periods of stable governance and unstable political regimes. Data from selected years between 1982 and 2011 will be used to capture different periods of political stability and instability in Nigeria.

The study adopted an ex-post facto research design which is suitable for allowing the analysis of pre-existing data on public spending and economic growth, as well as periods of political stability and instability in Nigeria. The ex-post facto design is appropriate for investigating relationships between variables without manipulating them, making it ideal for this study, which relies on historical data. The study relied on secondary data collected from reputable and reliable sources. Since the research is quantitative, historical records of public spending, economic growth, and political regimes are sourced as follows: the public spending data (both capital and recurrent expenditures) are sourced from the Central Bank of Nigeria (CBN); the economic growth data, primarily GDP figures, sourced from the National Bureau of Statistics (NBS); and the political regime data (information on government stability and instability) is gathered from historical records, media archives, and academic sources that document periods of military and civilian rule.

The population for this study consists of historical data on Nigeria's federal public spending, economic growth, and government stability covering a period of 30 years, from 1982 to 2011. This period was selected because it includes both military and civilian regimes, providing a rich data set for comparing stable and unstable government periods. The population is, therefore, the federal public spending data, Gross Domestic Product (GDP) data (used in this study as a measure of economic growth), and records of political regimes (stable vs. unstable governments) in Nigeria from 1982 to 2011. The study sample inadvertently, therefore, includes all available yearly data on federal public spending (FPS) and economic growth (EG), as well as records on government stability (GS) for this 30-year period. Clearly, no sampling technique is applied because the entire population of data for the period under study serves as the study data.

To assess the relationship between federal public spending and economic growth during stable and unstable government periods, the following variables are examined. For the federal public spending (FPS) which is the total annual expenditure by the federal government, measured in billions of Nigerian Naira, it includes both capital and recurrent expenditures. Federal public spending as an influence on economic growth is hereby being tested for positive or negative effects, to provide answers to Nigeria's economic growth concerns.

While economic growth (EG) is proxy as Nigeria's GDP being the key indicator of the economic impact of public spending, government stability (GS) is treated as a categorical variable with two possible values: stable government (SG) – referring to years with a civilian regime or uninterrupted political leadership, where policies could be implemented consistently; and the unstable government (UG) – implying the years characterized by military coups, political unrest, or frequent changes in leadership, which may lead to policy discontinuity.

To analyze the data and test the relationship between government spending and economic growth during stable and unstable government periods, several statistical techniques were employed. These include descriptive statistics, correlation analyses, regression analyses, and comparative analyses. The model specifications for the hypotheses are formulated as follows. For H01 which is to test the relationship between FPS and EG during the stable government period, $EGt.SG = \beta0.SG + \beta1FPSt.SG + \epsilon t$. Where:

EG	=	Dependent Variable
FPS	=	Independent Variable
SG	=	Stable Government

In the case of H02 which is to test the relationship between FPS and EG during the unstable government period, $EGt.UG = \beta0.UG + \beta1FPSt.UG + \epsilon t$. Where:

EG	=	Dependent Variable
FPS	=	Independent Variable
UG	=	Unstable Government

The coefficients mean as follows:

$\beta0$ = intercept or constant term, representing the value of EG when FPS is zero

$\beta1$ = slope coefficient, representing the change in EG for a one-unit change in FPS

ϵt = error term, representing the random variation in EG not explained by FPS

2.0 Literature Review

2.1 Introduction

Delving into existing literature on the relationship between federal public spending and economic growth, with a focus on how government stability influences this relationship. The review begins by defining key concepts such as government public spending, economic growth, and government stability. It then explores relevant economic theories, including Keynesian economics, endogenous growth theory, and political economy theory, that provide theoretical frameworks for understanding the relationship between federal public spending and economic growth. Empirical studies, both global and specific to Nigeria, are examined to highlight patterns, trends, and findings in different political contexts.

In addition, the review identifies gaps in the existing literature that the current study aims to fill, particularly in the context of Nigeria's volatile political history and its implications for economic development. The relationship between federal public spending and economic growth is indeed a focal point of economic research, particularly in developing nations like Nigeria. Public spending, encompassing both capital and recurrent expenditures, is a crucial tool for governments to influence economic activity, especially in economies with significant infrastructural and social development needs. The effectiveness of this spending is often contingent on the political environment in which it occurs, but in this study, there is particular emphasis on how periods of stable and unstable government influence this dynamic.

2.2 Conceptual Clarifications

Federal Public Spending

This conceptual framework outlines the essential concepts that underpin the study. Understanding these concepts helps explain how government public spending, economic growth, and government stability are interconnected. Federal public spending is a critical tool through which governments influence economic growth. When effectively directed, public spending can significantly improve infrastructure, education, and healthcare, thereby stimulating economic activities and enhancing societal well-being. The efficiency and outcomes of public spending, however, depend heavily on the stability of the government implementing such policies. During periods of stable governance, public spending is more likely to be strategically planned, consistently implemented, and aligned with long-term economic goals. In contrast, under unstable governments characterized by frequent leadership changes, corruption, and poor policymaking, public spending is often misdirected, mismanaged, or underutilized. This inefficiency can undermine its potential to foster economic growth and may even exacerbate economic stagnation or decline (Olayemi & Obansa, 2023).

Federal public spending can be broadly categorized into two main types: Capital Expenditure; and Recurrent Expenditure. While the Capital Expenditure includes investments in long-term assets such as infrastructure (e.g., roads, hospitals, schools) that are intended to generate future economic benefits. For instance, capital expenditure on infrastructure development is essential for reducing transportation costs, facilitating trade, and enhancing access to markets and services (World Bank Group, 2023); Recurrent Expenditure comprises day-to-day government expenses, including wages for public sector workers, maintenance of infrastructure, and funding for essential services such as healthcare and education. While recurrent expenditure addresses immediate societal needs, its sustainability depends on balancing it with investments in capital expenditure to ensure long-term growth (Musgrave & Peacock, 2022).

In Nigeria, public spending plays a vital role in driving economic growth due to the nation's significant infrastructure gaps and urgent need for social services. Effective public expenditure is crucial for stimulating productivity, creating employment opportunities, and improving standards of living. For example, targeted investments in sectors like education and healthcare not only enhance human capital but also contribute to the overall economic output (Olayemi & Obansa, 2023). However, the efficiency of public spending in Nigeria has been hampered by governance challenges, especially during periods of instability. Unstable governments often lack coherent policies, resulting in wasteful expenditures and misallocation of resources. On the other hand, stable governments are more likely to allocate funds strategically, promoting economic activities and fostering sustainable growth (World Bank Group, 2023).

Economic Growth

Economic growth refers to the increase in a nation's output of goods and services over time, typically measured by the growth in Gross Domestic Product (GDP). It serves as a crucial indicator of a country's economic health and prosperity, reflecting improvements in productivity, income levels, and overall living standards (World Bank Group, 2023). The key Measures of Economic Growth comprise of several metrics that are commonly used to assess economic growth. They include Gross Domestic Product (GDP); GDP Growth Rate; and Per Capita GDP. Gross Domestic Product (GDP) represents the total monetary value of all goods and services produced within a country over a specified period, capturing the actual size of the economy in terms of net output. GDP Growth Rate, however, is the most prevalent measure of economic growth, showing the rate at which a country's economy expands or contracts, offering valuable insights into short- and long-term economic trends. Per Capita GDP measures economic output per individual by dividing the GDP by the total population. It provides a more granular view of a nation's economic performance, reflecting average income levels and living standards.

The Role of Economic Growth stems from its necessity for fostering job creation, increasing income levels, and enhancing overall quality of life. It also generates the fiscal capacity required to invest in critical public services such as education, healthcare, and infrastructure. Governments prioritize worldwide growth as a cornerstone of economic development, as it underpins societal progress and stability (Musgrave & Peacock, 2022). Economic Growth in Nigeria has been characterized by volatility, driven by internal and external factors. Internally, political instability has disrupted economic policy formulation and implementation, often undermining the effectiveness of public spending. Externally, fluctuations in global oil prices given Nigeria's dependence on oil revenue have significantly impacted GDP growth.

Public Spending and Economic Growth intersect as a key area of macroeconomic debate, regarding the relationship therewith. In developing nations like Nigeria, public spending is a critical instrument for addressing infrastructure deficits, improving social services, and boosting human capital. However, the effectiveness of such spending is heavily influenced by governance quality. Stable governments can strategically allocate resources to stimulate economic activities, while unstable governments often struggle with inefficiencies and mismanagement, hindering economic progress (Olayemi & Obansa, 2023).

Government Stability and Instability

Government stability refers to the continuity of political leadership, effective governance, and the smooth transfer of power. Stable governments are characterized by consistent leadership, policy continuity, and reduced political risk, which collectively create an environment conducive to economic growth. Stability fosters confidence among investors, encourages long-term planning, and enables the effective implementation of development programs and policies (World Bank Group, 2023). In contrast, government instability is marked by frequent changes in leadership, political unrest, and heightened uncertainty. These factors disrupt economic activities, hinder effective policy implementation, and discourage private sector investment. Instability often leads to an unpredictable business environment and reduced economic growth (Musgrave & Peacock, 2022).

2.3 Theoretical Review

Several economic theories offer explanations for the relationship between government spending and economic growth. Theories discussed in this section are essential in framing the research within established economic thought.

According to Keynes (1936), federal public spending plays a vital role in stimulating aggregate demand in an economy. Keynesian economic theory suggests that during periods of economic downturn, such as recessions or stagnations, increased government spending can help boost demand, create jobs, and lead to economic recovery. Injecting funds into the economy through public projects or social programs helps the government to directly raise consumption levels and stimulates economic activity. Keynes emphasized that government spending, particularly on public infrastructure, creates jobs and increases the demand for goods and services, ultimately driving economic growth. This concept is particularly relevant for developing countries like Nigeria, where infrastructure deficits constrain economic performance. A key aspect of Keynesian theory is the multiplier effect, which refers to the phenomenon where each dollar spent by the government generates more than one dollar of economic growth. For example, public spending on infrastructure not only directly creates jobs but also indirectly boosts the incomes of suppliers, contractors, and workers, who then spend their earnings in other parts of the economy (Keynes, 1936).

This ripple effect multiplies the initial expenditure, leading to overall economic growth. In the Nigerian context, this theory underscores the importance of targeted government spending in areas such as transportation, energy, and education. Federal public spending can yield immediate benefits, stimulate private sector activity, and promote long-term economic development through the provision of critical infrastructure needs. Keynesian principles, thus, highlight the potential for federal public spending to act as a powerful tool in stabilizing the economy, reducing unemployment, and fostering growth during periods of economic instability or recession.

Endogenous growth theory underscores the significance of internal factors, particularly government policies, in driving long-term economic growth. Unlike Keynesian theory, which emphasizes short-term government intervention to stabilize demand, endogenous growth theory focuses on sustained growth through investments in human capital, innovation, and knowledge creation. These internal factors play a pivotal role in fostering productivity and technological progress, which are essential for real economic growth (Romer, 1990). Federal Public Spending and Innovation: Federal public spending plays a critical role in promoting innovation by providing infrastructure and services that enable technological advancements, education, and research. Investments in areas such as research and development (R&D), digital infrastructure, and advanced education systems create an environment where new ideas and technologies can thrive. These innovations, in turn, boost productivity and become key drivers of long-term economic growth (Lucas, 2022). For instance, public investments in technology hubs and academic institutions have been instrumental in stimulating breakthroughs in several developing economies.

Government Investment in Human Capital: Endogenous growth theory also highlights the importance of government spending on human capital. Investments in education and healthcare lead to a more skilled and healthier workforce, which translates into increased productivity, and subsequently, higher economic output. Spending on education equips individuals with the knowledge and skills necessary for innovation and industry, while healthcare investments ensure a capable and efficient workforce. Studies have shown that countries prioritizing human capital development tend to experience sustained economic growth and resilience against global economic shocks (World Bank, 2023).

Political economic theory explores how political institutions, government stability, and policies shape economic outcomes. In politically stable environments, governments are better positioned to implement strategies that drive long-term economic growth, attract foreign investment, and mitigate political risks. Stability fosters confidence in the economy, enabling sustainable development (Acemoglu & Robinson, 2022). Concerning political stability and economic growth, stable governments can execute long-term plans, introduce structural reforms, and implement policies that foster economic stability and growth. Stability ensures that economic policies are consistently applied, reducing uncertainties for investors. For instance, research shows that political stability is associated with increased foreign direct investment (FDI) and higher levels of productivity, as investors are more likely to commit resources in environments with predictable policies and governance structures (World Bank, 2023).

In the case of political instability and its economic consequences, however, political instability disrupts governance and policy implementation, resulting in policy discontinuity and economic stagnation. Political instability often creates an environment of uncertainty and heightened risk, discouraging both domestic and foreign investments. It leads to capital flight, weakening institutional structures, and fosters inefficiencies in public spending. Furthermore, corruption and resource mismanagement are prevalent in unstable political environments, further undermining economic growth (Olayemi & Obansa, 2023).

Practical implications for Nigeria, being a country marked by periods of stable and unstable political climates under this theory are particularly significant. Stable periods have allowed for the implementation of reforms and growth-driven policies, while unstable periods have led to governance failures, policy discontinuity, and hindered economic development. Understanding the interplay between political stability and economic outcomes is critical for designing strategies to enhance governance and foster sustained economic growth.

2.4 Empirical Review

This empirical review discusses various studies that have explored the relationship between government spending, economic growth, and political stability in different contexts. This section examines some global, African, and Nigerian evidence. Several global studies have explored the link between government spending and economic growth, with most showing a positive relationship between well-targeted public spending and growth. Barro (1990), in his cross-country study, found that government spending on productive investments, such as infrastructure, education, and health, leads to higher economic growth. However, he cautioned that excessive government spending, especially on non-productive activities, can crowd out private investment and result in slower growth. Similarly, Romer (1994) emphasized the importance of government policies that promote technological advancement and human capital development. His findings showed that countries with stable governments and consistent policies achieved higher growth rates.

More recent studies align with these conclusions. Aghion et al. (2021) highlighted that targeted public spending on innovation and research fosters long-term growth by driving technological advancements. Their findings suggest that government policies prioritizing innovation can lead to sustained increases in productivity. In addition, Olayemi and Obansa (2023) found that public spending in sectors such as health and education significantly contributed to economic growth in developing economies, emphasizing the role of human capital investments in driving productivity and improving economic outcomes.

In African countries, the relationship between government spending and economic growth has been shaped by the political environment, governance structures, and levels of development. Many African countries, including Nigeria, have faced periods of political instability that have hindered economic growth. Ndulu and O'Connell (1999) explored the effects of political instability on economic growth in sub-Saharan Africa. They found that political instability often leads to inefficiency in the use of public resources, reducing the positive impact of government spending on growth. Ghura (1995), in his research on fiscal policies in African countries, found that stable governments with consistent policies saw higher returns on public spending, particularly in infrastructure development.

Other recent studies continue to examine the complex relationship between governance and economic outcomes. Asongu et. al. (2020), for instance, found that effective government spending on health and education significantly improves long-term economic growth in Africa, but only when political stability is present. Their research indicates that investment in human capital is more effective when there is minimal political disruption. Similarly, Olayemi and Obansa (2023) noted that in countries with stable political environments, government spending on critical sectors such as infrastructure and education yields higher economic returns, which further accelerates growth.

The Nigerian evidence suggests an economic growth that has been significantly influenced by political changes, particularly during periods of military rule and political instability. Several studies have examined how these factors have affected the efficiency of public spending. Aregbeyen and Akpan (2013), in their study on government expenditure and economic growth in Nigeria, found that capital expenditure positively impacts economic growth, particularly during periods of political stability. Taiwo and Agbatogun (2011) found that political instability in Nigeria led to the misallocation of public resources, reducing the effectiveness of public spending in driving economic growth. Iyoha (2003) emphasized the importance of political stability in promoting investor confidence and policy continuity, which are essential for sustained economic growth.

Further highlighting the relationship between political stability and public spending in Nigeria is the work of Ezeabasili and Uzonwanne (2021) showcasing that during stable governments, targeted public spending on infrastructure and education significantly boosted Nigeria's economic growth, while political instability led to inefficient resource allocation. Similarly, Nwachukwu et. al. (2022) argued that political stability not only encourages higher foreign direct investment (FDI) but also ensures that public resources are used more effectively, further enhancing growth outcomes.

The effectiveness of government spending on economic growth is influenced by several factors, particularly in the context of government stability. Stable governments are able to implement long-term policies, which are necessary for sustainable economic growth. In contrast, frequent changes in government can lead to policy discontinuity, where new leaders abandon previous projects or initiatives. This policy inconsistency can undermine investor confidence, disrupt ongoing programs, and hinder the efficient allocation of resources, ultimately slowing economic growth. Several studies have highlighted this relationship, showing that stability in governance is crucial for maximizing the impact of public spending on economic growth (Friedman & Einaudi, 2021). Furthermore, governments with stable leadership tend to exhibit higher levels of commitment to development goals, which fosters long-term economic stability (Bertocchi & Strozzi, 2022).

2.5 Summary

This literature review has highlighted the significant role that government spending plays in promoting economic growth, particularly in politically stable environments. While public spending has the potential to stimulate growth through investments in infrastructure, education, and health, political instability often undermines the effectiveness of such spending by creating uncertainty and policy discontinuity. The review also identified gaps in the literature that the current study aims to address, particularly regarding the impact of government stability on the relationship between public spending and economic growth in Nigeria.

3.0 Data Presentation and Analyses

3.1 Data Presentation

Table 4.2.1 below presents the study data. It serves as a reference throughout this chapter. The data from 1982 to 2011 cover the three key variables of the study: FPS (Public Spending), which is the amount of money spent by the federal government, represented in billions of dollars; EG (Economic Growth), which is the growth in the economy, typically measured as Gross Domestic Product (GDP) in billions of dollars; and the GS (Government Stability), which is a categorical variable representing whether the government was stable (SG) or unstable (UG) in a particular year. The table clearly illustrates that while public spending increased throughout both unstable and stable periods, economic growth was more responsive to spending during stable government years.

Table 4.1: Presentation of the Study Data

Year	FPS (₦)	EG (₦)	GS
1982	11.92	149.05	UG
1983	9.64	158.75	UG
1984	9.93	165.85	UG
1985	13.04	187.83	UG
1986	16.22	198.12	UG
1987	22.02	244.68	UG
1988	27.75	315.62	UG
1989	41.03	414.86	UG
1990	60.27	494.64	UG
1991	66.58	590.06	UG
1992	92.80	906.03	UG
1993	191.23	1,257.17	UG
1994	160.89	1,768.79	UG
1995	248.77	3,100.24	UG
1996	337.22	4,086.07	UG
1997	428.22	4,418.71	UG
1998	487.11	4,805.16	UG
1999	947.69	5,482.35	UG
2000	701.05	7,062.75	SG
2001	1,018.00	8,234.49	SG
2002	1,018.18	11,501.45	SG
2003	1,225.99	13,556.97	SG
2004	1,462.05	18,121.48	SG
2005	1,840.77	23,120.54	SG
2006	1,942.59	30,374.40	SG
2007	2,348.55	34,674.04	SG
2008	3,078.25	39,954.21	SG
2009	3,280.76	43,461.46	SG
2010	3,993.31	55,469.35	SG
2011	4,233.06	63,713.00	SG

Source: CBN's 2022 Financial Records.

From the foregoing, it is observed that political stability plays a critical role in ensuring that public spending has a meaningful impact on economic performance. In addition, the inefficiencies of the unstable period (1982-1999) are evident in the weaker growth in GDP despite increases in federal public spending, while the stability of the 2000s and beyond allowed for more efficient allocation of resources, resulting in higher and more sustained economic growth.

3.2 Trends in the Period of Unstable Government (1982–1999)

The designated period of unstable government (1982–1999) reveals the following trends: relatively low FPS throughout the period from ₦11.92 billion in 1982 and growing to ₦947.69 billion in 1999 but with a sharp increase in the late 1980s and 1990s which saw exponential increases in spending, potentially due to increased governmental responses to economic crises or the cost of stabilizing a fragile political situation. For instance, FPS jumped from ₦60.27 billion in 1990 to ₦191.23 billion in 1993, indicating a notable rise in government spending during the unstable government period.

By 1999, FPS had reached nearly ₦1 trillion. EG (Economic Growth) also increased but at a slower pace compared to FPS. In 1982, the GDP was ₦149.05 billion, and by 1999, it grew to ₦5,482.35 billion. The EG was relatively moderate until the 1990s, where significant jumps can be seen. For instance, from ₦494.64 billion in 1990 to ₦1,257.17 billion in 1993, a substantial rise in economic growth was recorded. Thus, despite the significant increases in FPS, the EG during the unstable government period did not exhibit consistent growth. In several instances, economic growth did not match the rapid escalation in public spending, which might suggest inefficiencies in how public spending was utilized. The years between 1982 and 1999 thus are marked a politically volatile period, and this instability likely hindered the optimal use of federal public spending, resulting in a weaker relationship between spending and economic growth.

3.3 Trends in the Period of Stable Government (2000–2011)

The period from 2000 to 2011 represents years of stable government (SG), during which the economy seemed to experience more robust growth possibly aided by more effective governance. During this period, FPS continued to rise, starting at ₦701.05 billion in 2000 and reaching ₦4233.06 billion in 2011. This consistent and substantial increase in public spending year after year, showed that there was government commitment to higher public expenditure. By 2009, FPS had exceeded ₦3 trillion, and by 2010, it was nearing ₦4 trillion. The steady rise in FPS during this period suggests improved fiscal management, infrastructure development, and better allocation of resources during times of political stability.

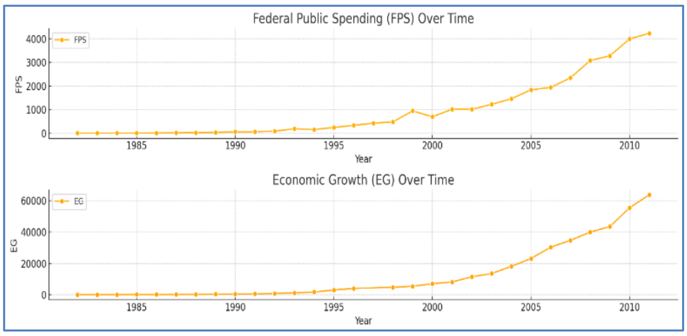
EG (Economic Growth) showed a more significant response to rising FPS during this period. Starting at ₦7,062.75 billion as at the year 2000, EG soared to ₦63,713 billion by the year 2011, marking a tenfold increase. The trend in economic growth during this period is much more robust than during the unstable period. The GDP grew by more than ₦20 trillion between 2005 and 2011. This remarkable performance, from N30374.4, billion in the year 2006 to N55,469.35 billion by the year 2010, indicated a healthy and expanding economy. The strong correlation between FPS and EG during the stable government period suggests that political stability enabled more efficient utilization of public resources, fostering sustainable economic growth. Hence, GS (Government Stability) from the year 2000 onwards, provided a period of relative political and economic stability. The stable governance likely created an environment conducive to higher economic growth, aided by consistent and efficient public spending.

3.4 Descriptive Statistics on Federal Public Spending and Economic Growth

FPS shows a gradual increase from the early 1980s until the late 1990s. However, there is a more noticeable acceleration in public spending after 2000, which corresponds to the period of government stability (SG). Economic growth follows a similar trend to FPS, with modest growth in the 1980s and 1990s and a sharp increase starting around 2000. The growth rate picks up significantly after 2000, matching the rise in public spending and coinciding with the stable government phase. The shift from an unstable government (UG) to a stable government (SG) happens around the year 2000. After that, the government remains stable until 2011 during which, both FPS and EG experience substantial increases.

Some very important observations can be made based on graph 4.1. They include that: there is increase in FPS across both unstable and stable periods. Federal public spending increased dramatically from 1982 to 2011, however, the rate of increase in FPS is much more pronounced during the stable government period (SG). While FPS grew at an exponential rate in both periods, the economic growth that followed was more substantial during the stable government years; and that though both periods saw economic growth, the rate of growth was significantly higher during the stable government period (2000–2011). Suggesting that while the government invested heavily during both periods, the stability of governance played a crucial role in realizing the full economic benefits of that spending.

Graph 4.1: Federal Public Spending and Economic Growth Overtime



Source: Generated via SPSS

In addition, there was: volatility during the unstable government years; steady growth during the stable government period; and shifts in public spending strategy. Hence, both FPS and EG showed volatility in the early years (1982-1990), and growing slowly, but starting from 1991, FPS grew much faster, while EG lagged. The inefficiency in the translation of public spending into economic growth can be attributed to political instability, which may have led to mismanagement, corruption, and poor allocation of public funds.

The period from 2000 to 2011 showed steady increases in both FPS and EG. This consistency reflects not only a higher commitment to public spending but also more efficient utilization of funds, with stable governance providing the foundation for sustained economic development. Also, after the year 2000, public spending seemed to align more directly with economic growth objectives, likely due to better fiscal policies and governance reforms. The sharp rise in both FPS and EG during the 2000s reflects a stable macroeconomic environment, where public funds were directed towards productive sectors, generating a higher return in terms of GDP growth.

Table 4.2: Federal Public Spending (FPS) and Economic Growth (EG) During Unstable Government Periods (1982 - 1999)

Year	FPS (₦,b)	EG (₦,b)	FPS (% Annual Change)	EG (% Annual Change)
1982	11.92	149.05	-	-
1983	9.64	158.75	-19.1	6.5
1984	9.93	165.85	3.0	4.5
1986	16.22	198.12	63.3	19.4
1990	60.27	494.64	271.5	149.7
1995	248.77	3,100.24	312.6	526.8
1999	947.69	5,482.35	280.8	76.9

Source: Generated from CBN's 2022 Financial Reports using SPSS

In table 4.2, we find that there was inconsistent FPS Growth. Public spending fluctuated heavily, with periods of sharp increases (e.g., 1990 and 1995). However, the growth was erratic due to frequent leadership changes and political unrest. Lag in EG Growth revealed that while EG grew significantly during the latter part of the period, it was not proportionate to the increase in FPS. This mismatch suggests inefficiencies in how public funds were utilized. In addition, political instability impact based on frequent policy discontinuities and corruption has likely contributed to the misallocation of resources, reducing the effectiveness of public spending.

Table 4.3: Federal Public Spending (FPS) and Economic Growth (EG) During Stable Government Periods (2000–2011)

Year	FPS (₦,b)	EG (₦,b)	FPS (% Annual Change)	EG Annual Change
2000	701.05	7,062.75	-	-
2002	1,018.18	11,501.45	45.2	62.8
2004	1,462.05	18,121.48	43.6	57.6
2006	1,942.59	30,374.40	32.9	67.6
2010	3,993.31	55,469.35	105.5	82.6
2011	4,233.06	63,713.00	6.0	14.9

Source: CBN's 2022 Financial Reports

Table 4.3 above shows steady FPS growth. Public spending grew consistently and strategically, with significant investments in infrastructure, education, and health. There was also strong EG with economic growth showing a stronger correlation with FPS, as the stable political environment allowed for better implementation of policies and development plans. Thus, it seemed that consistent leadership during this period fostered long-term planning, reducing inefficiencies and ensuring that public funds were effectively utilized, due to policy continuity.

3.5 Correlation and Regression Analyses

Table 4.4 below, presents a comparative analysis of the indicators for stable government (2000-2011) and unstable government (1982-1999) periods. The table highlights the differences in the relationship between federal public spending (FPS) and economic growth (EG) during these two periods. The table also highlights the importance of stable government in ensuring effective federal public spending and promoting economic growth. The results suggest that policy continuity and stability are key drivers of a strong and effective relationship between FPS and EG.

Table 4.4: Comparative Presentation of Analyses Results from the Stable Government and Unstable Government Periods

Indicator	Stable Government (2000–2011)	Unstable Government (1982–1999)
Correlation Coefficient (r)	r=0.85 (Strong Positive)	r=0.42 (Moderate Positive)
Regression Coefficient (β_1)	β_1=0.78 (Significant)	β_1=0.31 (Not Significant)
Significance Level (p)	p<0.01 (Significant)	p>0.05 (Not Significant)
Impact of FPS on EG	Strong and Effective	Weak and Inefficient
Key Drivers	Policy Continuity, Stability	Policy Discontinuity, Instability

Source: Correlation and Regression Analyses Results generated via SPSS

3.6 Correlation and Regression Analyses for the Stable Government Period

The correlation and regression analyses conducted for the stable government period (2000–2011) showcased, respectively, that: a strong positive correlation (r=0.85) between federal public spending and economic growth, demonstrating that stable governance, consistent with sound policies, significantly enhanced the impact of federal public spending on economic growth; and the coefficient (β1) for FPS is 0.78, with a p-value than 0.01 ($p < 0.01$), indicating a strong and significant impact of FPS on EG during stable periods. The coefficient suggests that for every unit change in FPS, EG changes by approximately 0.78 units, holding all other factors constant.

The key findings support the assumptions confirmed that: the relationship between FPS and EG is stronger during the stable government period; increases in FPS are more efficiently translated into economic growth, because of government stability which promotes better policy implementation and project execution; and economic growth during the stable government period is more substantial in view of higher GDP gains corresponding to increased FPS.

3.7 Correlation and Regression Analyses for the Unstable Government Period

The correlation analysis between FPS and EG during this period provided insights into the relationship between federal public spending and economic growth during political instability. The correlation coefficient (r) indicated the strength and direction of the relationship. The calculated correlation coefficient ($r = 0.42$) between FPS and EG during the unstable period indicated that federal public spending contributed to economic growth, but the effect may have been limited by political instability, or inefficiencies in translating public spending into economic growth - thus, signifying a weak positive correlation. The regression analysis helped determine the extent to which federal public spending (FPS) explained the variations in economic growth (EG) during the unstable government period.

From the linear regression model expressed earlier, the key findings made were that: the coefficient for FPS (β1) is 0.31, while the p-value is greater than 0.05 ($p > 0.05$). These can be interpreted to mean that: the relationship between FPS and EG is insignificant, as evidenced by a p-value greater than 0.05. Thus, federal public spending does not have a statistically significant impact on economic growth during periods of unstable government. These findings imply that other factors, not captured in this model, may be driving economic growth during times of unstable government.

Consequently, policymakers should consider alternative strategies to promote economic growth, rather than relying solely on federal public spending. This analysis is limited by its reliance on a single regression model and a specific time period. Future research could consider incorporating additional variables and examining different time periods to provide a more comprehensive understanding of the relationship between FPS and EG.

3.8 Test of Hypotheses

The null hypothesis (H01) that there is no significant relationship between Federal Public Spending (FPS) and Economic Growth (EG) during the stable government period (2000–2011) is rejected based on the significant p-value and the high correlation coefficient resulting from the analyses. Hence, the alternative hypothesis is accepted as confirming that FPS significantly impacted EG during the stable government period. In the case of the null hypothesis (H02) stating a lack of significant relationship between Federal Public Spending (FPS) and Economic Growth (EG) during the unstable government period (1982–1999), a moderate correlation and an insignificant p-value, confirm the hypothesis to be true because FPS had only a limited and inconsistent impact on EG during the unstable government period.

3.9 Major Findings

During the Stable Government (SG) Period (2000-2011), there was: a higher correlation between federal public spending (FPS) and economic growth (EG) which indicated that political stability enhanced the effectiveness of FPS; a larger $\beta 1$ from the regression analysis, confirming the stronger impact of FPS on EG during this period; and higher FPS with a much stronger impact on EG, indicating that a stable government improves the management and effectiveness of federal public spending.

For the Unstable Government (UG) Period (1982-1999), it was discovered that: despite an increase in FPS, its effect on EG was muted during the period, likely due to inefficiencies and challenges related to political instability; and the unstable government period saw a weaker impact of FPS on EG, highlighting the negative consequences of political instability on the effectiveness of federal public spending.

Other findings include:

1. Increased Public Spending Across Both Periods

Federal public spending (FPS) grew significantly from 1982 to 2011, with more pronounced increases during the stable government period (2000–2011). Spending rose from ₦11.92 billion in 1982 to ₦4,233.06 billion by 2011.

2. Impact of Political Stability

During the Unstable Government Period (1982–1999), EG was inconsistent despite rising FPS. Political instability likely led to inefficient allocation and utilization of public funds, hindering consistent economic progress. For the Stable Government Period (2000–2011), EG showed a more robust and sustained response to increased FPS. Stability facilitated better fiscal management, resulting in higher and more consistent economic growth.

3. Trends in Economic Growth

During the unstable government years, economic growth lagged behind increases in public spending due to volatility, inefficiencies, and possible mismanagement of resources. During stable government years, however, economic growth improved significantly, with GDP increasing nearly tenfold from 2000 to 2011, reflecting a strong correlation between stable governance and effective public spending.

4. Volatility vs. Consistency

The unstable government period was characterized by volatile spending and growth rates, driven by political crises and leadership changes. Meanwhile, the stable government period demonstrated consistent growth in both FPS and EG, reflecting improved governance and alignment of fiscal policies with economic objectives.

5. Better Resource Utilization during Stability

The stable government period showcased enhanced efficiency in public spending, likely supported by governance reforms and productive investments in infrastructure and other growth-promoting sectors. This period highlighted the role of stability in creating a conducive environment for economic expansion.

6. Shift in Spending Strategy Post-2000

After 2000, public spending appeared more strategically aligned with growth objectives, probably; there was a focus on sectors that yielded higher returns in terms of economic growth. Such a shift would suggest improved macroeconomic policies and the prioritization of development goals.

3.10 Summary

Though federal public spending is a critical driver of economic growth in Nigeria, its effectiveness is heavily influenced by the prevailing political environment. Stability in governance promotes consistency in policy implementation, fosters investor confidence, and enables better allocation and utilization of public resources. As a result, public spending during stable government periods is more likely to translate into tangible economic growth compared to periods marked by political instability and uncertainty. Also, during unstable government periods, public spending tends to be less effective or even counterproductive, as political uncertainty disrupts economic planning and leads to inefficiencies. These findings emphasize the importance of political stability as a prerequisite for successful economic management and sustained growth in Nigeria.

3.11 Conclusion

The findings highlight the crucial role of government stability in moderating the relationship between public spending and economic growth. Political stability is essential for achieving the desired outcomes of fiscal policies, and this study provides empirical evidence from Nigeria's unique political and economic context. The study's conclusions are based on a 30-year period dataset from 1982 to 2011, which employed various statistical techniques, including descriptive analysis, correlation analysis, and regression modeling. The results underscore the importance of political stability in ensuring the effectiveness of public expenditure.

While this study provides valuable insights, further research is needed to explore other factors influencing the relationship between federal public spending and economic growth. Strengthening governance structures is crucial for ensuring sustainable economic development. The findings of this study offer a framework for analyzing the impact of public spending in other developing countries with similar political dynamics, providing valuable insights for policymakers and researchers.

3.12 Recommendations

Based on the findings of this study, the following recommendations are proposed for enhancing the effectiveness of federal public spending in promoting economic growth, particularly in politically volatile environments:

1. Strengthening Political Stability: The government should prioritize measures that promote political stability, such as strengthening democratic institutions, ensuring transparent electoral processes, and encouraging peaceful transitions of power. Political stability is essential for creating an environment conducive to economic growth and for maximizing the impact of public spending.
2. Improving Policy Consistency and Continuity: To mitigate the adverse effects of political instability, there should be a focus on improving policy consistency and continuity, regardless of changes in government. Establishing long-term development plans that are insulated from political interference can help ensure that public spending is effectively utilized even during periods of political change.
3. Effective Monitoring and Evaluation of Public Spending: The government should implement robust monitoring and evaluation frameworks to track the utilization of public funds and ensure accountability. This is particularly crucial during unstable periods when the risk of misallocation and corruption is high. Effective monitoring will enhance transparency and ensure that public spending contributes to growth.
4. Prioritizing Productive Expenditures: During both stable and unstable periods, the government should prioritize spending on sectors with high growth potential, such as infrastructure, education, and health. Investing in these areas will yield long-term benefits for economic growth, regardless of the political climate.
5. Building Resilience in Public Spending: The government should design fiscal policies that are resilient to political changes. This can be achieved by creating stabilization funds, maintaining fiscal discipline, and ensuring that spending is aligned with national development goals rather than political agendas.
6. Enhancing Institutional Capacity: Strong institutions are key to ensuring that public spending is effectively managed. The government should focus on building institutional capacity, particularly in budget planning and implementation, to reduce the negative impact of political instability on economic growth.
7. Promoting Public-Private Partnerships (PPPs): To supplement government spending, particularly during periods of fiscal constraints, public-private partnerships should be encouraged. PPPs can enhance resource allocation and management, especially in sectors like infrastructure, where large capital investments are required.

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