AMUSAN OLUWATOSIN RACHAEL

18/SMS01/005

ECO206

200LEVEL

1. The major reason why public expenditure is still growing and will continue is due to activities that needs to be carried out.
2. War and the need for defence ; This has contributed to excessive spending of money. War and threats of war and the consequent defence needs compel government to spend and also on the production of war goods.
3. Planning effect; Most especially in developing countries and less developed economy, government adopts economic planning for the development of the country, to ensure that this occurs when the public sector is expanding its role, public expenditure obviously shows a rising trend that makes government spend.
4. Population effect; A high level of population or growth in a nation will bring about large expenses. This is a problem that the government will have to take responsibility for example; Nigerian government spends yearly on family planning campaign to reduce the population.
5. Price rise; Increase in government expenditure is often ascribed to inflationary price rise.
6. Social amenities; Building infrastructure, roads, schools, water, transportation, electricity, and so on, cannot be carried out without spending and borrowing.

2. Canon of public expenditure:

a) canon of benefit: According to the canon, public expenditures is to be made in a way that confers greatest social benefits. In other words public expenditures must not be directed to a particular group or people in the community. It is to be made in those direction were general benefit rather than specific benefits flows. Example: this kind of benefits includes ; free transportation and electricity.

b) Canon of economy: It refers to avoidance of wasteful and extravagant expenditure. This canon is all about using public expenditure in a good way of productivity and efficiency. Efficiency in public expenditures requires economy of expenditures.

c) Canon of sanction: As suggested by shirras, public expenditures should not be made without any concurrences or sanction of an appropriate authority. Arbitrariness in public expenditure can never be avoided only if spending is approved. Economy in public expenditure can never be ensured if it is not sanctioned. Examples: natural disasters, war, and emergency.

d) Canon of surplus: It suggests the avoidance of deficit in public spending. It requires government in preparing its budgets in a way not to run into deficits where by expenditures will be greater by income. However, modern economists do not like this principle because it is only when there is a deficit that they borrow to finance government programs.

e) Canon of productivity: It implies that expenditure policy of the government should encourage productivity and efficiency of the economy. It should be directed towards enhancing the productive capacity of the economy. Examples increasing job opportunities, export trade.

3. Reasons why government borrow;

1. The government borrows due to recession in other words automatic stabilizers lead to lower tax.
2. Finance political sector investment.
3. Less political sector investment
4. Cost of wars or natural disasters.
5. Higher population.

3b) Will you encourage Nigeria to borrow.

Nigeria should not borrow because it is borrowing for the sake of it.

The country is borrowing based on consumption not productivity

Borrowing will cause the country to be in debt trap.

4. What are the indicators of the laissez faire economy by adam smith.

1. The people are the basic unit in society, it means, the standard of measurement in social calculus.
2. The individual enjoys a natural right to freedom.
3. The physical order of nature is a harmonious and self- regulating system.

It is said that a laissez faire economy is thus charaterised by the free movement of forces of supply and demand, free from any form of intervention by a government, a price-setting monopoly, or any other authority.

Canons of taxation by Adam Smith.

1. Canon of equity: This is based in proportion to various individual ability to be able to pay taxes respectively.
2. Canon of certainty: Taxes that are to be paid must be clear, certain and not arbitrary.
3. Canon of convenience: Every tax is ought to be levied at a particular time or manner in which it is most likely to be convenient for payers to pay.
4. Canon of economy: The cost at which taxes are being paid should not be higher than what it is being paid.

HOW PRACTICAL IS THE CANON OF TAXATION IN NIGERIA.

Tax system in Nigeria is made up of tax policy and tax laws, stratified into tax assessment, tax collection and administration, According to the Presidential Committee on national tax policy 2008, the principal objective of the Nigerian tax system is to contribute directly to public finance and governance through improved policy formulation, collection and appropriate utilization of tax revenue for the benefits of Nigerians. Besides, the Nigerian tax system is expected to encourage economy growth and development, generate stable revenue or resources needed by government to accomplish loadable projects and investments for the benefits of the people. Providing fairness, economic stabilization, distributive equity and correction of market failure and imperfection.

HOW DO YOU WANT YOUR TENURE TO BE REMEMBERED

I would like my tenure to be remembered through the followings:

1. Economic growth is driven oftentimes by consumer spending and business investment.
2. Tax cut and rebates are used to return money to consumers and boos spending.
3. Deregulation relaxes the rules imposed on business.
4. Infrastructures spending is designed to create construction jobs and increase productivity by enabling business to operate more efficiently.
5. Improving on Agricultural aspect of the country.