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1 public expenditure will continue to grow, discuss

public expenditure or government spending is the obligations of government in order to fulfill its responsibilities in an economy. For an economy to grow, there has to be government spending. public expenditure growth is as a result of the general price level (inflation). To control the price level (inflation), public expenditure will still take place irrespective of population, growth etc.

There are various factors that will cause public expenditure to grow;

1. Defense expenditure due to modernization of defense equipment by the army, navy and airforce to prepare the country for war or for prevention causes-for-growth-of-public expenditure.
2. Population growth: it increases with the increase in population, more of investment is expected to be done by the government on law and order, education, infrastructure, etc. Investment in different fields depending on the different age groups required.
3. Inflation: This is the general rise in the price level of goods and services. it increases the cost of all activities of the public sector and thus a major factor in growth in money terms of public expenditure.
4. Creation of super national organizations: E.g the United nations, NATO, European community and other multinational organizations that are responsible for the provision of public goods and services on an international basis, have to be financed out of funds subscribed by member states, thereby adding to their public expenditure.

a. explain the various canons of public expenditure with appropriate scenarios

1. canons of social maximum benefit: The principle of social maximum benefit, as canons of public expenditure implies that the government should plan its expenditure in a manner as to promote the greatest good of the greatest number. Public expenditure refers to the expenses incurred by public authorities central, state, and local on its various activities. The activities of public authorities include the primary activities as the civil administration and defense of the country etc.
2. canons of Economy: The canons of economy as canon of public expenditure, suggests that the state is economical in spending. It implies two things, Firstly; the government should not spend more than the amount required to be spent on particular item of expenditure. secondly, the state should spend money in such a way that might develop a productive capacity of the community as much as possible. The first consideration has reference to the present while the

second consideration has reference to future. The main aim of the canon is to avoid wastage and extravagance of any kind. In this reference, it is necessary to check the duplication of the expenditure. In this connection, the Government should see that the expenditure shouldn't produce any adverse effect on production and on the will and the power of the people to sue.

3. **Canons of sanction:** what it implies is that the government before incurring any expenditure on any item should obtain the proper sanction and approval of the competent authority. Without its approval, the government department cannot incur any expenditure or any expenditure beyond the specified limit. In a democratic country, competent authority is the legislature. The government presents its budget before the legislature and gets approval and only then the government department can incur expenditure.
4. **Canons of equality:** According to the canons of public expenditure, the state must avoid resort to deficit financing as far as possible. The classical economists always preferred surplus budget just like an ordinary citizen. But in the modern times, balanced budget (no deficit, no surplus) is preferred. It implies that the balanced expenditure must be equal to the balanced revenue. The policy of deficit financing is not tenable for long. Surplus budget also cannot find favor because it implies that government is spending much less than it should. The tax payers will realize a burden in paying tax. So the government should prepare a balanced budget.

b. Why does the government borrow ?

1. **To finance deficit budget:** When a government forms a deficit budget, it results to borrowing in order to finance it.
2. **Fluctuation of national income:** Government may decide to borrow when its total income earned over a period of time falls below expectation.
3. **To finance a huge capital budget:** Government of a country borrows in order to finance a huge capital project which the recurrent expenditure cannot finance.
4. **To procure war materials:** There may be a need for government to borrow in a war period in order to procure materials with which to go to war.
5. **Servicing of Loan:** Government sometimes borrow to enable it pay interest loans it obtained and to repay debts that are due which is called funding operation. This is a process whereby a short term debt is converted into a long term.

2. According to Adam Smith what are the indicators of laissez faire economy ?

- ★ Advocates free market and free trade
- ★ Government doesn't interfere with the market

- ★ Law of supply and demand increases prices
- ★ private individuals makes economic decisions

a. As the new economic adviser of your state, how best will you want your tenure to be remembered, noting that government can't do it alone.

As the chief adviser of oyo state, all I'm willing to achieve is the economic growth and development. so to achieve that the following;

1. I will decrease interest rates so as to help people to borrow at low interest rates.
2. Increase in nominal wages that is if nominal wages increase above inflation then consumers will have more disposable income.
3. The state should increase in agriculture and other things to increase revenues for the state pocket. Also agriculture will be made compulsory in every school both practical and theories.
4. creation of jobs for youths by laying off the old people from work to create jobs for the people after them . And the old people should be payed their pensions regularly.
5. we should create free health services with good facilities.
6. Also youth will be enlightened on Agriculture and entrepreneurship in order to build a good foundation for their future because they are the leaders of tomorrow. They should have knowledge on how to fend for themselves without depending on office jobs.
7. Also any technological advances or talents made by anyone, shall be sponsored by the government and there would be reward and further support to encourage such person.
8. strict rules and regulations would be layed down to curb crimes.
9. Also tax should be paid when due

b. With practical examples, identify the canons of taxation as proposed by Adam Smith. How practical are the canons to the nigeria?

- ★ Canon of equity- According to Adam Smith's canon, taxation imposed on an individual should be in accordance with his ability to pay.
- ★ Canon of certainty- A tax should not cause hardship to the tax payer. Therefore, this canon requires that the tax payer should be certain about the amount, time and revenue of payment of the tax.

- ★ Canon of convenience- This maxim seems to ensure that the time and method of payment of the tax become most convenient to the tax payer.
- ★ Canon of economy- This principle indicates that a good tax system will require the least possible expenditure on collection of taxes. If a large part of the tax revenues is spent in collecting it, it is undoubtedly an inefficient tax system.

In recent times, these cannons have only be practicable in some parts of Nigeria which have good tax systems. An example of some of those states are Lagos state and FCT where revenue is remitted back to the federal Government regularly.