**NAME: AGAHI EMMANUEL K.**

**MATRIC NO.: 18/SMS01/003**

**COURSE: ECO 206**

**DEPT: ECONOMICS**

There are several factors that have led to an enormous increase in public expenditure through the years

* 1. Defense expenditure due to modernization of defense equipment by the navy, army and air force 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 required to be done by government on law and order Education, Infrasturcture, etc. investment in different fields depending on the different age group is required.
	3. Welfare activities – welfare, mid-day meals, pension provisions etc.
1. Provision of public and utility services – provision of basic public goods given by government (their maintenance and installation) such as transportation.
* Price rise – higher price level compels the government to spend an increased amount on purchase of goods and services.
* Increase in public revenue – with the rise in public revenue government is bound to increase the public expenditure.
1. Wars and social crises – fighting amongst people and communities, and prolonged drought or unemployment, earthquake, hurricanes or tornadoes may lead to an increase in public expenditure of a country. This is because it will involve governments to re-plan and allocate resources to finance the reconstruction.
2. 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.
3. Foreign aid – Acceptance by the richer industrialised countries of their responsibility to help the poor developing countries has channeled some of the increased public expenditure of the donor country into foreign aid programs.
4. 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.

1a)

|  |
| --- |
| The main ***principles or canons of Public Expenditure*** are as follows: **(i) The Principle of Maximum Social Advantage:** The government expenditure should be incurred in such a way that it should give benefit to the community as a whole. The aim of the public expenditure is the provision of maximum social advantage. If one section of the society or one particular group receives benefit of the public expenditure at the expense of the society as a whole, then that expenditure cannot be justified in any way, because it does not result in the greatest good to the public in general. So we can say that the public, expenditure should secure the maximum social advantage. **(ii) The Principle of Economy:** The principle of economy requires that government should spend money in such a manner that all wasteful expenditure is avoided. Economy does not mean miserliness or niggardliness. By economy we mean that public expenditure should be increased without any extravagance and duplication. If the hard-earned money of the people, collected through taxes, is thoughtlessly spent, the public expenditure will not confirm to the cannon of economy. **(iii) The Principle of Sanction:** According to the principle, all public expenditure should be incurred by getting prior sanction from the competent authority. The sanction is necessary because it helps in avoiding waste, extravagance, and overlapping of public money. Moreover, prior approval of the public expenditure makes it easy for the audit department to scrutinize the different items of expenditure and see whether the money has not been overspent or misappropriated.**(iv) The Principle of balanced Budgets:** Every government must try to keep its budgets well balanced. There should be neither ever recurring surpluses nor deficits in the budgets. Ever recurring surpluses are not desired because it shows that people are unnecessarily heavily taxed. If expenditure exceeds revenue every year, then that too is not a healthy sign because this is considered to be the sign of financial weakness of the country. The government, therefore, must try to live within its own means.1b) Governments can borrow for all sorts of reasons including* Inadequate source of funds.
* Sudden Spurs in an economy e.g Flood, Drought, War e.t.c.
* Increase in the productive activities of a state.
* Business Cycle.

Looking at the economic situation in Nigeria, I’d advise borrowing. The reason I say we should do this is that we don’t have a lot of infrastructural facilities that are needed in the country and to provide those the government needs funding. And since most of our Nigerian leaders are so **Incompetent,** using money that has been borrowed will make them work hard in other to be able to pay back its debt.2A Laissez faire economy is thus characterized by free movement of forces of demand and supply. The price of that good is also determined by the point at which supply and demand are equal to each other.  2a)As the economics chief adviser, I’d make the country focus on Exportation and increase the growth of numerous *Local Businesses,* because it would be very hard to stop importing things that would be beneficial to the country without making up another way to get those same needs that are needed for the country to develop.2b)*Equity*: “The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.”*Certainty*: “The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.”*Convenience*: “Every tax ought to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it.”*Economy*: “Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasure of the state.” |

|  |
| --- |
|  |
|

|  |  |
| --- | --- |
|  |   |

 |
|  |