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**1). Public expenditure will continue to grow.explain** A rising share of public expenditure in national income is associated with a rise in per capita income. Meaning an increase in per capita income over a period of time may cause a relative rise in public expenditure. This is because the demand for public goods tends to rise with the rise in per capita income.

Another factor that can affect public expenditure is the effects of war and need for defense. Tremendous growth in public expenditure can be attributed to war and defense to threats of war in modern times.

Other factors include ability to finance in the sense that when a government innovates more and more methods of taxation and resource mobilization, its ability to finance public expenditure increases and the sizee of public expenditure grows., and Inflation with the rising prices the government has to keep increasing expenditure to carry out its functions and make sure the supply of goods are intact.

**1a). Explain various cannons of public expenditure**

(a) Canons of Maximum Social Benefit: The principle of maximum social benefit, as canons of public expenditure, implies that the Government should plan it’s expenditure in a manner as to promote the greatest good of the greatest number. Public expenditure refers to 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.

(b) Canons of Economy: The canon of economy , as canons of public expenditure, suggests that the State should be 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 the productive capacity of the community as much as possible. The first consideration has reference to the present while second consideration has reference to the future. The main aim of the canon is to avoid the wastage and extravagance of any kind. In this reference, it is necessary to check duplication of expenditure. In this connection, the Government should see that the expenditure should not produce , any adverse effect on production and on the will and the power of the people to sue .

(c) 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 departments can incur expenditure.

(d) Canons of Flexibility or Elasticity: Flexibility must be there in public expenditure. It implies that the expenditure may be expended or contracted according to the requirement of the time. At a time of crisis, the expenditure should be cut down because the income of the government is expected to be short at such a time.

**1b). Why does the Government Borrow?, Looking at the Nigeria state will you advise borrowing.**

The government of a nation borrows so that it can enable higher spending without having to increase taxes of it's citizens to provide social amenities for the people e.g Food, housing, security, power supply e.t.c. The annual amount the government borrows is known as the budget deficit. The total amount the government has borrowed is known as the national debt or public sector debt.According to the Minister of Finance, Nigeria deployed 54.3% of her earned revenue for debt service in 2018. Also, in the first half of 2019, we deployed 54.2% of all our earned revenue for debt service. Thus, a trajectory of 54% has been established in two years. This raises the poser whether paying debt with 54% of earnings is sustainable at the individual, community or national level. The answer must be in the negative especially for an underdeveloped infrastructure starved country like Nigeria. If at $83bn debt, we are using 54% of our revenue to service debts, what percentage of our revenue will be required for debt service when the debt hits $113bn? It will be more than 54%. Yes, there are steps being taken especially under the Finance Bill, which will soon become law, to increase government revenue, but the steps are tepid and not strong enough to dramatically improve government revenue. This brings us to the first conclusion anchored on empirical evidence that our debt relative to our revenue is not looking good.

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

He believed that “there is a set of rules of rights or justice, and perhaps even of morality in general, which are, or may be known by all men by the help either of ‘reason’ or of a moral sense.” He was thus a strong believer in ‘natural reason’ guiding human affairs and he regarded State interference not only superfluous but positively harmful to economic progress.Guided by enlightened self-interest, each individual was capable of promoting his own well-being and while promoting his own interests he promotes the welfare of the whole society in the process. It is, therefore, according to Adam Smith, the production by individuals is led as if by the ‘invisible hand’, to promote social welfare. Thus, though individual capitalists produce goods to make profits for them but in doing so they promote social welfare though it was no part of their intention. As a matter of policy, therefore, Adam Smith advocated the removal of all restrictions on trade, choice of occupation and the use of property by individuals.

**2a.) As the new Chief Economic Adviser of your state, how best will you want your tenure to remembered, noting that government cannot do it all alone**

would do the following:

= firstly I would advise the Governor on how to generate revenue for the state through the royalties the state is entitled from revenue crude oil and through effective tax.

* We would impose effective tax on citizens on the state but we would sensitize the crowd on the effects of paying tax
* I would also set in place policies that would help improve savings and investment so that the state would be prepared for any eventualities or emergencies.

**2b).  With practical examples, identify the canons of taxation as proposed by Adam Smith. How practical are the canons to the Nigeria?**

1. Canon of equity- According to Adam Smith's canon, taxation imposed on an individual should be in accordance with his ability to pay.
2. 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.
3. 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.
4. 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.