

Public Expenditure

- Public expenditure is spending made by the government of a country on collective needs and wants, such as pension, provisions, security, infrastructure, etc.

- **Canons of Public Expenditure:**

- Canon of Economy – public expenditure should not be wasteful
- Canon of Surplus – deficits in budget should be avoided
- Canon of sanction – prior approval of authorities
- Canon of Benefit – social advantage and welfare
- Canon of elasticity
- Canon of productivity – must improve country's productive capacity
- Canon of neutrality- should not lead to economic or environmental harm
- Canon of equitable distribution

Classification of Public Expenditure

- Functional Classification – classification according to various functions of the government
- Departmental Classification
- Transfer and Non-transfer expenditure / Grants and Purchase Prices
- Capital and Revenue Expenditure
- Classification according to benefits – common benefits, special benefits, direct special benefits
- Productive and unproductive expenditure

- Dalton's classification:
- Expenditure on Political executives
- Administrative Expenditure
- Security Expenditure
- Administration of Justice
- Social Expenditure
- Developmental Expenditure
- Expenditure related to Public debt

- Economic effects of Public Expenditure:

1. Effect on Production:

1. Ability to work, save and invest
2. Willingness to work, save and invest
3. Diversion of economic resources

2. Effect on Distribution

3. Effect on Employment

4. Effect on Stabilization

5. Effect on Consumption

Importance of Public Expenditure:

- Provision of public and merit goods
- Meeting current consumption needs
- Capital expenditure
- Distribution of Income
- Economic stabilization
- Economic growth and development