

PUBLIC EXPENDITURE

MEANING, IMPORTANCE,
OBJECTIVES

By: Ananya Sinha

WOMEN'S COLLEGE, AGARTALA

MEANING OF PUBLIC EXPENDITURE

- o Spending by Government (Central, State, local) to fulfil collective social wants of the people.

Importance of Public Expenditure

- o The Classical economists did not attach much importance to the role of public expenditure in the economy. They were in favour of minimum possible amount of public expenditure. Classical economists did not give recognition to the idea of market failure nor to the problems of business cycles and inequality.

- o It was Keynes who emphasized that public expenditure has an expansionary effect on national income. In times of recession/depression caused by lack of effective demand, an expansion of public expenditure can increase national income and pull the economy out of recession.

- o In modern day economies, the scope of public expenditure has been extended even further,
- o Public expenditure plays an important role not only in stabilisation policy of the Government but also is used as an instrument for securing better distribution of income and provision of goods and services to satisfy collective wants of society.

- o In developing countries, public expenditure is specially geared towards developmental activities since in these economies it is vital to steer the economy towards steady economic growth along with reduction in poverty and inequality. To achieve a higher standard of living for all citizens, public expenditure is accordingly incurred.

Objectives of Public Expenditure

- 0 Protection from external aggression (Defence)
- 0 Maintenance of internal law and order (Police, courts)
- 0 Protection of environment (Revival of rivers)
- 0 Provision of public goods and services (education and health facilities)
- 0 Welfare activities during emergencies, wars etc. by providing relief to affected population (relief during coronavirus pandemic)
- 0 Development activities like infrastructure development, Innovations and research, promoting technology.

- o Reducing regional imbalances and securing more equal distribution of income
- o Provision of social security net like unemployment allowance, pension and similar transfer payments
- o Stabilisation of economy through counter-cyclical movement