

Vivekanand College, Kolhapur (Autonomous)

Department of Economics

Subject- Business Economics (Macro)

Topic- Public Expenditure: Meaning and Causes

Mr. Ashish Bhasme

Public Expenditure-

Meaning-

- Expenses incurred by the public authorities—central, state and local self-governments—are called public expenditure.
- Such expenditures are made for the maintenance of the governments as well as for the benefit of the society as whole.
- As a modern state is termed a ‘**welfare state**’, the horizon of activities of the government has expanded in length and breadth.
- provision of various Public spending, services to the people (education, health)
- Promoting the welfare and well-being of the people.


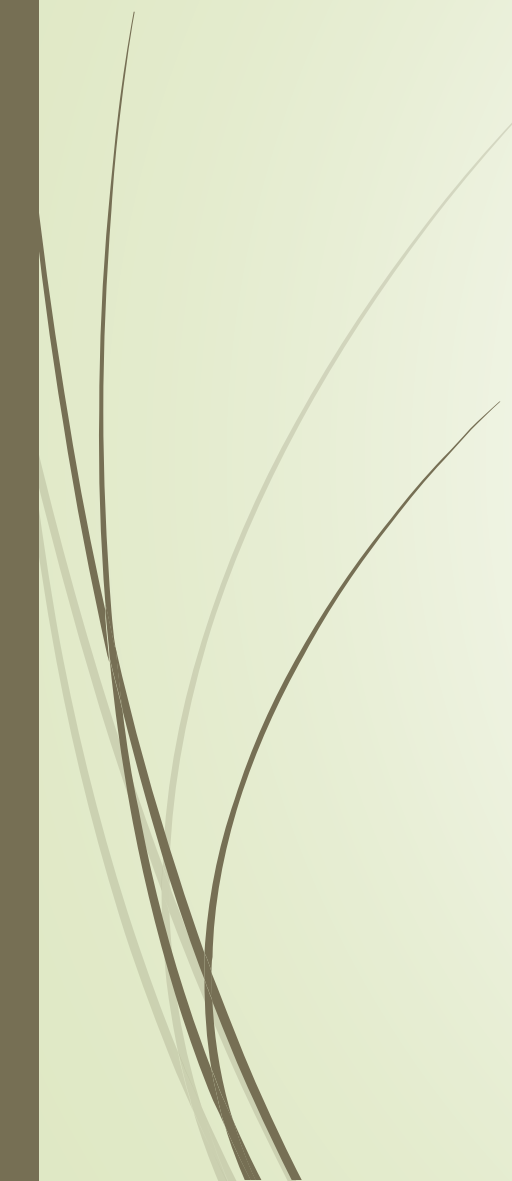
- 
- Maintenance of the government defense forces, police and other civil servants etc.
 - Reducing inequality of income.

Definition:

- Public expenditure can be defined as, “The expenditure incurred by public authorities like central, state and local government to satisfy the collective social wants of the people is known as public expenditure”.

CAUSES OF INCREASE IN PUBLIC EXPENDITURE-

- **Size of the country and population-** Developing world has seen an enormous increase in population growth. Consequently, the expansion in administrative activities of the government has resulted in a growth of public expenditures in these areas.
- **Defense expenditure-** The tremendous growth of public expenditure can be attributed to threats of war. No great war has been conducted in the second half of the twentieth century. But India faced 2-3 wars in between this period.
- **Welfare State-** 20th and 21st centuries modern state is a 'welfare state'. Modern governments have come out openly for socio-economic uplift of the masses. Various socio-economic programs are undertaken to promote people's welfare. Modern governments spend huge money for the purpose of economic development.

- 
- 
- **Economic Development-** Modern government has a great role to play in shaping an economy. Private investors are incapable of financing economic development of a country. This incapacity of the private sector has prompted modern governments to invest in various sectors so that economic development occurs.
 - **Higher Price Level-** Another reason which accounts for mounting public expenditure in the higher price level.
 - **Ability to Tax-** A low income economy it is difficult to impose and collect taxes, but as economy develop a much wider range of taxes become available to the state and as state revenue swells, public expenditure increase.
 - **Expansion of Public Sector-**