

PUBLIC FINANCE

DEFINITION & SCOPE

- **Governments influence the life of people**
- **GOAL – Social welfare**
- **Taxation & expenditure influence production & distribution of income**
- **The complex problems that centre around the income & expenditure of the government is called public finance**

PUBLIC FINANCE

DEFINITION & SCOPE

- Public finance is the branch of economics that deals with the financial operations of the govt.

- Central state & local

Hugh Dalton-Public finance deals with the income & expenditure of public authorities and the manner in which one is adjusted to the other

PUBLIC FINANCE

DEFINITION & SCOPE

- *Findlay Shirras- Public finance is the study of principles underlying the spending & raising of funds by public authorities*
- *Harrold groves- public finance is a field of inquiry that treats of the income & outgo of governments (federal, state, local). In modern times this includes four major divisions- public revenue, public expenditure, public debt & certain problems of fiscal system as a whole such as fiscal administration and fiscal policy*

SUBJECT MATTER OF PUBLIC FINANCE

- **1. PUBLIC REVENUE**
- **2. PUBLIC EXPENDITURE**
- **3. PUBLIC DEBT**
- **4. FINANCIAL ADMINISTRATION & CONTROL**
- **5. STABILISATION &GROWTH**

PUBLIC Vs PRIVATE FINANCE

- Private finance- income , exp, debt of private individuals or corporations.
- Public finance- income, exp and borrowings of govt
- They have similarities as well as distinctions

PUBLIC Vs PRIVATE FINANCE

- **SIMILARITIES**
- **1. Same objective– satisfaction of human wants**
- **2. based on rationality- rational decisions**
- **Both may take irrational / wrong decisions**
- **3. Both have to repay loans**
- **4. Both are having limited resources-optimize**
- **5. efficient management**

PUBLIC Vs PRIVATE FINANCE

- **DISSIMILARITIES**
- **1. Adjustment of income & expenditures**
- **2. difference in the motive of expenditures**
- **Social welfare Vs profit making**
- **3. Nature of resources**
- **4. principle of equi marginal utility**
- **5. compulsory character**
- **Some expenditures compulsory cannot postpone- defense**

PUBLIC Vs PRIVATE FINANCE

- 6. Coercive authority- govt can use force
- 7. Budgetary differences
- Surplus budget – good for a person but may not be good for a nation. (Devt/ depression)
- Saving good for individual- govt may or may not save
- 8. Long term considerations- provision for future

PUBLIC Vs PRIVATE FINANCE

- 8. Long term considerations- provision for future
- Private- invest in areas of quick returns- short term perspective
- Govt- guardian of present & future generations- long term considerations
- 9. secrecy Vs openness
- Private secret- govt openness