

## Role of Public Finance in National Economy

**Adam Smith** considered State interference only in tasks like security, police and peace management. In the same way, the expenses by people are productive and expenses by Government are unproductive. In modern times, the importance of public finance is increasing day by day. Although, according to classical economists, State has minimum interference in the tasks of public. In 19th century famous German Economist **Wagner** implemented the increasing operations of the state and then the tasks of the state increased vigorously. In the beginning of 20th century, especially due to the economic crisis of 1930, public finance has been given due importance. The state is considered a welfare organization in modern times. Due to the situations like poverty, economic imbalance, professional highness etc. state interference has become compulsory in human life.

**Karl Marx**, **George Bernard Shaw** and **Sydney Web** have given importance to Government's efforts and intervention in place of individual efforts. The function of public finance is not only collect finance - it is considered a powerful tool to encourage economic development providing social justice, maintaining economic stability and providing the state of full employment too. Therefore, it is clear that Government is interfering in economic matters also.

Importance of public finance:

- (1) Importance in Distribution of Resources.
- (2) Importance of Public Finance in Distribution of Income and Wealth.
- (3) Importance of Economic Stability.
- (4) Importance in Collection of Resources for Economic Development.