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B.A - II

Paper - IV

Topic :- Principle of Maximum social
Advantage (Introduction)

Financial activities of the government have a significant impact on the production structure and income pattern of a country.

The principle of maximum social advantage is that principle which governs operation of public finance to maximize the economic welfare of the society as a whole.

In words of Prof. Dalton;

"Public expenditure in every direction should be carried just so far that the advantage to the community of a further small increase in any direction is just counter-balanced by the

disadvantage of a corresponding small increase in taxation or in receipts from any other source of public income. This gives the ideal total both of public expenditure & public income.

The principle in simple terms means following —

- (1) Government should collect money & spend it to maximize the welfare of people.
- (2) When taxes are imposed dis-utility is created and when expenditure is done utility is created.
- (3) Government must adjust its revenues and expenditures in such a way that the surplus of utility is maximum & dis-utility is minimum.