

Preface

Public expenditure has increased both relatively and absolutely in all the countries of the world. However, the role of public sector in the economy is not free from controversy. The continued controversy over the role of public sector is particularly acute in a mixed economy where there exists difficult and controversial choices in selecting the appropriate composition of government expenditure and in choosing among alternative government programmes that are meant to realize the avowed social goals. Public expenditure is an important instrument to produce desirable effect and at the same time to avoid undesirable impact on the national income, production and employment. Therefore, public expenditure is an important instrument for realizing the objective of government policy. The government formulates programmes and schemes, and undertakes different social and economic activities, the actual implementation of which is done through the act of financial allocation and spending. Thus the expenditure programme largely determines the realization of objective of the government. And at the same time the magnitude and pattern of public expenditure are determined by that objective.

Much less attention has been paid to various aspect of government expenditure despite its significance. Revenue side of public finance has received some attention in our country as it is clear from the several major enquiries conducted by the central and the state government to examine the tax structure. But the enquiries have paid little or no attention to the various questions pertaining to public expenditure. Thus the study of public expenditure assumes special significance in developing countries like India.

It is observed that the public expenditure has been increasing over time. It is the product of a set of decisions made as to what public goods and services should be produced. These expenditures have specific effects upon the different sectors of the economy. Public expenditure also plays an important role in

economic development and in accelerating the pace of economic development. The government policy with respect to economic development and social welfare determines, to a large extent, the allocation of public expenditure between economic and social services. Currently, public expenditure has, apart from fulfilling the traditional obligations, become an instrument of support for the development activities of the state. Thus massive public expenditure as well as the responsibility assumed by the State in recent years for various social and economic objectives, give the activities of a government a far-reaching significance. For this it is important to study the growth and pattern and the impact of public expenditure on economic development.

The main objective of economic policy in India is to accelerate economic development of the country in a climate of social justice. This means that the objective is not only to raise the national income or per capita income but also to ensure that the benefit is equitably distributed, that disparities in income and living standards are not widened if not, narrowed.

The purpose of the present study is to trace out the growth and pattern of public expenditure (Centre, States and Union Territories) during the period of planned development from 1950-51 to 2000-01, in the context of changing socio-economic development after independence as well as to review the role of public expenditure in the context of changed socio-economic needs contingent upon the recent globalization of the Indian economy.

In a federal set-up like India, the magnitude and pattern of expenditure in constituent States are determined jointly by the policy of the Central as well as the State Governments. So the success of the national objectives can not be achieved by the Central Government alone, independently of the States alone. Therefore the attainment of broad objectives of the Centre will be judged by the States' willingness and ability to pursue proper course of action in their own spheres. This signifies the importance of expenditure policy of the State Government.

The present study has been divided into eight chapters. The first chapter deals with the general aspects of problems of public expenditure and provide some issues discussed in the latter chapters. The theoretical core of the study is contained in chapter two which deals with the positive theories of public expenditure and their relevance to this study.

Chapter three analyses the growth of public expenditure in India during 1950-51 to 2000-01 while its pattern and functional components form the subject matter of next three chapter. These chapters present a picture of the time-series data and explain the trends of various category of government expenditure in which chapter four deals with the growth and pattern of defence expenditure, chapter five deals with the growth and pattern of non-developmental expenditure and, chapter six deals with the developmental expenditure during the period under study. As such, all these three chapters are descriptive and non-technical in nature.

In chapter seven an attempt has been made to investigate the impact of public expenditure on economic development. As a background to this, a brief discussion of the role of public expenditure in a developing economy and the pattern of public expenditure in India has been introduced. The discussion will facilitate to find out if any significant changes have been taken place in the economic growth and distribution of income and wealth in India during the last fifty years of planned development up to 2000-01. We admit that it is not possible for a single researcher to cover the entire first decade of the twenty-first century in a complete manner due to physical and time constraint. But we do hope that we shall incorporate the periods, not touched by us, in some other studies to be undertaken in future where we shall also be able to analysis the effect of globalization on the trend and pattern of public expenditure and to study the effect of public expenditure on economic development in a comprehensive manner. In latter part of this chapter, an attempt has been made to analyze the distributional impact of various expenditure policies in India.

The concluding last chapter summarizes the salient points which emerge from the foregoing discussion with a note to prescribe certain policies suggested regarding public expenditure in the context of economic development.

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