INTRODUCTION

It is necessary to go in defence of the employment of theory in the elucidation of the empirical aspects of the thesis. As Keynes said six decades ago, economic theory is not a body of settled conclusions immediately applicable to policy; it is a method rather than a doctrine, an apparatus of the mind and a technique of analysis which enables the possessor to draw correct conclusions. Several empirical propositions have been advanced and several conclusions have been drawn. These propositions and conclusions must have the support of rigorous theoretical analysis if they are to sound convincing and persuasive. Therefore, as a preliminary to the analysis of the empirical material theoretical analysis relevant to the empirical material has been provided. As a result the conclusions enjoy the advantage of logicality and inductive verifiability.

Furthermore, the experience of Karnataka is examined against the background of the experience of the Indian Economy in different spheres in the course of planned development. Karnataka is an integral part of the Indian Federation affecting and being affected by the process of national development. Karnataka shares, with the rest of the Indian Federation, the structural and institutional characteristics which condition the process and pattern of economic development. Also, Karnataka is dependent on grants-in-aid and sharing of the
divisible pool for financing its development projects like
the other states in the Federation. In India which is a
tri-fiscal system of mutual interdependence what happens in
the rest of India has its inevitable impact on the pace and
pattern of development of Karnataka. For this reason Indian
experience in the course of planning has been analysed and
interpreted to serve as a canvas on which to juxtapose the
experience of Karnataka. This helps us to highlight the po-
ints of divergence and convergence between the two experiences.

Although there are some studies on Economic Development
of Karnataka there is, so far as my knowledge goes, no study
regarding the problem of financing it. Some advice, of course,
has been offered by experts through commissions, conferences,
workshops and seminars organised from time to time under the
auspices of the Government. It still remains true that there
is no research study dealing systematically with the various
fiscal and financial aspects of planned development in the
state. It is in this context that the present study has been
undertaken not only to collate the material available on impor-
tant items like revenue and expenditure of the Government of
Karnataka, but also to focus attention on them in a manner that
would make further exploration by intending researches
possible.

It is an empirical study providing deep insights into the
finances of the Government of Karnataka during the last 20 years
In this study an attempt has been made to study the impact of revenue and expenditure measures on the economy of this state.

Initially I have endeavoured to explore the basic principles of expenditure-choice, as simply as possible, clothing them in a practical attire so that they can be of direct assistance in furthering the cause of future studies in this sphere. This part of the study reveals the importance of various economic factors conducive to growth depending on the particular level of development obtaining either in the country or the region as such. In the light of this analysis it is my endeavour to throw light in Chapter-II on the role of public expenditure in the growth process as well as quality and efficiency of factors available for economic development, thus establishing a basis for further analytical discussion on the subject in the subsequent chapters.

In Chapter-III, the importance of public expenditure and the role of the government as a welfare agency have been distinctly highlighted. It is now a proven fact that decisions about government spending will exert a crucial influence on the quality of life. This definitely calls for efficient resource mobilization and their efficient utilization. It is equally true that too much government spending makes for inefficient use of resources. In this case how can one assert that certain public expenditures are efficient? There may not be any scientific
way of arriving at definite conclusions; but how to resolve this controversy is a question that has been explored in this chapter.

After presenting a theoretical analysis of the role of public expenditure in the above two chapters a brief profile of the economy of the State of Karnataka has been presented in Chapter-IV, in which the importance of different factors of production available in different parts of the state has been explained. Against this setting, it has been pointed out that planning at the state level is yet to be geared up to the task of coordinating the inter-regional and intra-regional development of the state.

The next fundamental problems discussed in Chapter-V and relate to the quantity and direction of public expenditure. While identifying the direction of expenditures which is an easy task, the determination of the quantity of expenditure which is a difficult task has been attempted. This because it is a question of how much of the State's income the government should spend on each line of productive activity. In recent years it has become a common practice for the state and local governments to come up with certain spending programmes which outstrip their revenue raising capacity. This tendency will certainly divert attention from all the high ideals of planned development for, the resource shortage once crept
in will have a tendency to accentuate social imbalances in the economy. It must be emphasised that plans do not by themselves achieve the desired results unless they are carried out with the desired degree of balance in the resource utilization programme. Also, planning alone will not achieve progress unless the schemes formulated are real and practicable. The experience of many countries including that of India proves this to be as true and the state of Karnataka is no exception.

Further, it is my endeavour to point out how broad the scope of plan execution is and how salutary its effect on the resource position of the state. It is obvious that plan execution applies, in the first instance, to the projects. This may mean design and building of roads, dams, irrigation canals, harbours, power stations, schools and hospitals etc. It may also mean the increased production of goods; the reclamation of unused land, or changes in the pattern of landholdings, the development of agricultural extension services etc. Thus, effective execution is needed for, say, an agricultural plan, and industrial plan, a transport plan or an educational plan. It is at the sectoral level that the concept of plan implementation tends generally to stop. But it should not be permitted to stop there. It is in this kind of a situation that the policy makers need the guidance of economic analysis, the significance of which has been underlined in this part of the study.
Chapter-VI deals with the devolution of resources from the Centre to the State. Since the inception of planning both at the national and state levels there has been a phenomenal increase in both revenue and expenditure at different layers of India's federal structure. But such a rise in revenue and expenditure which has brought about a thorough change in the nature and content of the fiscal system has not been a source of comfort, since they have caused inter-governmental conflicts. For instance, the devolution of resources of all varieties towards the State of Karnataka for the last 20 years on the average works out to be more than 45 per cent of the total expenditure of the state government. But inspite of this increasing magnitude of central assistance the state has an uneasy feeling that the financial assistance from the centre is not adequate. The fact that total revenue collections and expenditures of both the Central and State governments have increased so rapidly makes the co-ordination of taxing and spending programmes, more particularly at the State level, important. Hence, attention is focused on the need for and significance of co-ordinating the revenue and expenditure programmes of the state so that the area of conflict between the two is narrowed down.