PREFACE

In macro economic policies, high employment, rising output of goods and services and relatively stable prices are three widely accepted goals. The most important economic goals or objectives of nations are internal and external balance. Internal balance refers to full employment with price stability. External balance refers to equilibrium in the balance-of-payments. To achieve these objectives nations have at their disposal expenditure-changing policies (i.e. fiscal and monetary policy) and expenditure-switching policies (devaluation and revaluation).

In recent years, the relative effectiveness of monetary and fiscal policy actions on economic activity has been the source of considerable debate among economists.

In the present study, an attempt has been made to examine the relative effectiveness of monetary and fiscal policies on economic activity taking different time periods according to various exchange rate regimes that prevailed in India at various times. In this respect the relative effectiveness of monetary and fiscal policies has been examined for the three time-sets of data for various indicators of monetary and fiscal policies for the Indian economy i.e. fixed exchange rate regime (1965-78), flexible exchange rate regime (1979-1992) and managed-floating exchange rate regime (1993-2010).

The study is divided into seven chapters.

Chapter I is introductory which includes objectives and relevance of the study, review of literature, research methodology, data sources, scope and limitations of the study.
Chapter II focuses on the theoretical aspects related to monetary and fiscal policies.

Chapter III elucidates the types and measurement of lags in monetary and fiscal policies.

Chapter IV explains the working of monetary and fiscal policies in IS-LM framework.

Chapter V describes the performance and strategy of monetary and fiscal policies in India.

In chapter VI, the relative effectiveness of monetary and fiscal policies in India has been examined using relevant data for various monetary and fiscal variables according to different exchange rate regimes.

Chapter VII presents a summary of major findings of the study and suggests scope for future work.