In the present study an attempt has been made to examine the relation between inflation and economic development. An endeavour has been made throughout to focus attention on the impact of the structure of the economy of this relationship.

The introductory chapter discusses the similarities and the dissimilarities of the process of inflation in the developed and under-developed economies. In Chapter II, the experience of Japan and some Latin American countries has been analysed. In Chapter III, a set of hypotheses has been framed on the basis of discussion in Chapters I and II. The first part of Chapter III is concerned with alternative explanations of price trends in the Indian economy during the period of our study. In the second part, a few hypotheses have been drawn up in the light of the discussion in the earlier two chapters. The functioning of the Indian economy during the first three Plans has been analysed in Chapter IV, with particular emphasis on the saving-investment process, the balance of payments and the inter-sectoral terms of trade. The conclusions which emerge from the study of the Indian experience are set out in Chapter V. Most of the hypotheses framed in Chapter III appear to have been confirmed.

A study of the Indian economy appears to have vindicated the basic proposition that times of economic development are also times of inflation. The basic truth seems to be that the impediments to a higher
rate of economic growth are real and a deliberate policy of monetary expansion does not become in any way helpful towards mobilizing the real resources in the economy. The Indian experience definitely proves that the process of stabilization is a pre-requisite to rapid economic growth.

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