sub-policies; fiscal policy, monetary policy, industrial policy, agricultural policy, employment policy, incomes and price policy, infrastructural policy, distributional policy, etc. The last aims at removing the existing disparities and imbalances whether between the regions, castes and classes or between modern, traditional, rural and urban sectors.

Policy, central or state, has to conform to the provisions of the constitution. There are always many conflicting pulls and pushes operating on the economic policy front giving rise to paradoxical repurcussions. This is prominently visible in the case of India with its unitary form of government within a federal structure. The decision-making powers lie with the Centre on the matters enlisted under the Union-list, while those enrolled under the state-list are exclusively for state considerations, and the Concurrent-List embodies items which are a joint responsibility of the Centre and the states. This classification, conferring a degree of autonomy to the states, creates a constant interplay of centripetal and centrifugal forces generated at the centre and the periphery. The existence of multiple decision-making authorities at various levels and the dilemma of integrating
the schemes and activities of the heterogenous agencies into a harmonious and coordinated policy package is in itself an overwhelming task.

The factors to be taken into account while formulating an effective economic policy are: economic growth, distributive justice, creation of adequate employment opportunities, price stability, control of population growth, rising of health and levels of skill of the citizens, creating conditions for growth of knowledge with special reference to its scientific aspects, creation of a social climate of hope and optimism, and an environment free of social misery and unrest in which social and communal harmony prevails. Therefore, the government must ensure a far-reaching and coherent policy framework with clear cut objectives to what the government really intends to do with the economy. Since economic policy is an effective channel of state intervention it should not be applied frantically but with utmost care only in those areas where it will yield maximum results.

India's economic policy was initially

driven by the option for a socialist pattern of society, a dominant place for the public sector in the economy, a large mobilisation of tax resources for financing development, the use of fiscal system for bringing about a sizeable reduction in the inequality of incomes and wealth, the adoption of measures in the industrial field for curbing concentration of economic power in, private hands with controls and restrictions on capital issues, industrial permits, expansion of capacity of industrial units, with supporting licensing quotas, and permits, import substitution, selective customs duties and technological self reliance. Although the policy assimilated the goals of social justice, poverty alleviation, maximisation of employment advancing towards a socialist society, yet it failed to yield the expected dividends.

In recent times there has been a redesigning of the policy framework towards a pro-capitalistic structure, based on modern industrialisation using High-Tech. There has been a drastic shift in the fiscal and the industrial policy of the nation.

The new policy thrust on growth, productivity and modernisation, with a major reliance on the private sector for effecting the desired change for rapid economic development is likely to generate capitalist tendencies thereby perpetuating inequality and concentration of economic power in private hands. Further, by opening the door for multi-nationals the economy may be heading towards a debt-trap, and the massacre of its vulnerable small-scale sector which can never contend against the international giants with large-scale economies at their beck and call. At the same time, the prospects for foreign aid for India are bleak, as the international financing institutions are keeping India at a lower scale of preference. However, the role of foreign capital and multinational agencies is to be monitored carefully to safeguard the economy from the kind of disastrous effects which occurred in Brazil and Mexico.

On the domestic front the industrial and the regional policy have to synchronise. The tendency of growth being concentrated in few regions of the economy, the benefits of growth are shared only unequally. In India regional aspect has not been accorded due weightage in the
economic policy, although it has been acknowledged as a long-term policy objective right from the beginning of planned era. As a result concentration of industries in metropolitan cities and other industrially advanced areas has increased inter-regional differences in the levels of incomes and living. Under these circumstances and appropriate industrial location policy must be enunciated.

The locational policy must discourage major industries from being located in metropolitan and large cities. Only if this ensured these large urban centre could grow to sizes at which there economic viability is established. The locational problem still continues to be a sensitive strategic issue. The industrial location has been influenced by political pulls and pressures on the part of States and not rationally conceived on the basis of infrastructure facilities and raw-material availability. "It is clear, therefore, that the approach to stimulating industrial development regionally will require to be changed and the same approach will not work on all-India basis. What is needed, therefore is a strategy which identifies clearly the natural, physical and human endowments and potentials in different districts and
identifies viable projects which are based on these resources. Moreover, the dispersal of industries for the correction of regional imbalances necessarily requires that new industries come up only in backward areas. A preferential treatment has to be given to industries located in backward areas.

For a result-oriented industrial development a suitable fiscal policy is indispensable. Financial incentives for attracting enterprises to set up industrial units in backward areas may be administered in the form of development, rebate, subsidies and tax-holidays. Conversely, employing disincentives for averting convergence or congestion of industries in already concentrated areas may be provided. Since the entrepreneurs have an inclination to cleave to the already established industrial centres, a policy of encouraging new entrepreneurs by providing necessary financial incentives by lending credit on preferential and concessional basis could be an effective method for industrial dispersal.

Reduction in direct taxes as a fiscal scheme will enable the private sector to possess additional resources which can be reinvested for increasing production and expanding the existing units. Further, the middle class productive energies held in leash so far by controls and regulations can be released from constraints by a more liberal policy of encouraging their autonomous role in the process of development. This approach would not only add to the national product but generate employment opportunities for the migrating rural population. However, the requirement of employment generation calls for a sound manpower planning and education policy.

Similarly, primary efforts may be made for appropriate industrialisation in rural areas. Rural industries may provide both local employment outlets and a means of gradually modernising the rural areas. Clearly, the people on small farms have incomes that are much lower than those received by non-farm groups. In general, the trouble with the farmer's income is not only its level but also its undependability or uncertainty. Such uncertainties may drive
the farmers income down to levels that impair their standard of living even below the subsistence level, prevent them from paying interest on their mortgage and finally deprive them of their farmland.

The prices of agricultural commodities fluctuate more violently than prices of manufactured goods. It is the function of prices to guide producers in allocating resources to the production of various goods. Where more is demanded, rising prices are supposed to call forth more production; where less is demanded, falling prices are supposed to warn producers to contract. However, in agriculture this market function is performed imperfectly. Therefore, administered or support prices can help avoid a fall in the total agricultural output and its share in the gross domestic product. The income elasticity of demand for food is relatively less. When prices go up, agricultural output is increased and its share in gross national product is greater. And, consequently, the farmers increase their investment in land, fertilizer and machinery. When prices fall, farmers still continue to produce but shirk away from the use of fertilizers and other modern inputs. As a result,
productivity per acre is adversely affected. Since the entire population is dependent for their existence on agricultural output, a decline in agricultural productivity shakes the very system. Therefore, support-price policy is an essential component of the overall agricultural policy. The support-price policy acts as a powerful incentive to increase yields. However, higher prices of farm output harm the non-farm population by taking away a larger share of their income and causing an overall inflationary impact on the economy. In this field there is need for ensuring an optimal parity.

Apart from administered or support prices, subsidies for particular crops, easy loan facilities, cooperative purchasing, import restriction, subsidizing exports, promotion of rural electrification, crop insurance, farm-to-market roads, agricultural research and extension facilities to farms are other policy measures to be adopted. By increasing agricultural productivity and farm income it would help to reduce the movement of rural population to already crammed urban sectors in search for livelihood. In addition, it will reduce the dependency ratio also. The
agriculture sector accounts for a high proportion of disguised unemployment. Under these circumstances any strategy to modernise agriculture, occupational training, craft, trade and the development of small industrial units and other agro-based activities would be barren if it is not coupled and united with an effective population policy.

One malady that impinges on developing countries is resource constraint which has to be met by ever increasing magnitude of deficit financing. This process increases the liquidity in the economy and gives rise to inflationary tendencies. Therefore, effective fiscal and monetary policy to curb inflation is an essential pre-requisite for a developing economy. Although mild inflation has been regarded as a stimulant for economic growth, but a close vigilance on price and monetary fronts is very essential. On the other hand excessive credit squeeze would adversely upset investments which, in turn, would retard economic growth. Under such conditions there should be a scope for flexibility and rigidity. Dogmatism in policy-making should be avoided at all cost.