has eroded large chunks of the income of the masses, and increased profit margins of the producers, and distributors and thus accentuated income inequalities. This necessitates stabilising the price level. Since increases in prices are regarded as inevitable in a developing economy, the *Draft Fifth Plan* suggested: (*i*) revisions in wages and dearness allowances at periodical intervals in keeping with changing prices of essential consumer goods and also on the basis of recorded productivity growth, and (*ii*) "pegging the prices of essential commodities at relatively low levels for ensuring supplies of reasonable quantities through a system of public distribution, obviating the need for very frequent changes in dearness allowances and wages." The success of the latter system, in turn, depends on two conditions: *first*, a reasonable quantity of the required commodity is obtained at prices which are below the open market prices, and the distribution costs of such commodities are kept as low as possible; *second*, the list of essential commodities should be reasonably small and the commodities must be homogeneous in character. Thus the Plan recommends a system of dual pricing whereby the low income groups are supplied certain essential commodities at low prices through a network of fair price shops so that they are not hit hard by rising prices. In short the Government should so intervene in commodity markets as to influence both the pattern of output and relative prices through taxes and subsidies on domestic production and consumption, tariffs and subsidies on imports and exports, and various terms of quantitative restriction on both domestic production and foreign trade.[8]

5. **Social Security.** Social security measures, such as free education and health services, cheap housing and supply of essential commodities, etc. tend to improve income distribution. They not only increase the real income of the working classes but also their efficiency.

6. **Population Control.** One of the important policies relating to income distribution over the long run is to control the growth rate of population. Larger families mean lower per capita income. So to increase per capita income, there is the need to adopt family planning practices on a wide scale. Population can be controlled by the propagation and use of cheap and effective contraceptives and spread of education.

7. **Labour-Intensive Techniques.** To minimise inequality in the means of production and to provide larger employment opportunities for improving income distribution, the use of labour-intensive techniques is an important instrument of policy. Such techniques should be adopted in the industrial and agricultural sectors of the economy. As aptly

pointed out by Dandekar and Rath, "The only method to distribute....capital *in a capital short economy* is to adopt a technology which would require less capital to employ a worker and hence, with given capital, would employ a large number of workers. It is for this reason that the adoption of a labour-intensive technology is advocated. This certainly can be a method by which the small amount of capital that the economy has may be distributed among a large number of workers."

8. **Fiscal Policy.** Fiscal policy plays a crucial role in reducing disparities in income and wealth. Personal income and wealth should be so taxed that the taxes may operate on the size distribution of income. Taxes should be progressive which should curb conspicuous consumption and siphon off a major part of unearned incomes into the State exchequer. In particular the burden of indirect taxes should not be more on the lower, middle and poorer sections. Stringent measures should be adopted to unearth black money and tax evasion. The Wanchoo Committee has recommended a number of measures towards this direction, such as implementation of an appropriate urban land policy, including socialisation of urbanizable land; a greater degree of social control on the supply of highly volatile agricultural commodities like raw cotton and oilseeds; effective measures for preventing the smuggling of gold and highly valuable luxury items, etc. Further, as already pointed above, public expenditure should be directed towards those channels which raise the real incomes of the lower, middle and poorer groups of the society, that is, in providing social security.

9. **Reducing Concentration.** To reduce concentration of economic power, every effort should be made to encourage small industries. Besides, an efficient and dynamic public sector is an important policy measure towards this direction. New entrepreneurs should be encouraged in areas which lack in competitive investment. And by ensuring improvement in productivity through better industrial relations and providing larger incentives to agriculturists, the domestic market should be rapidly developed. The MRTP Act should be implemented earnestly by the Monopolies Commission in order to prevent restrictive price and output policies, and to reduce concentration of economic power in the hands of a few business houses or groups of firms.

10. **Backward Areas.** Agricultural and industrial development in backward areas is essential for raising the income levels of the people and reduce disparities of income and wealth. Agricultural productivity should be increased by providing new dry farming technology, irrigation facilities, and improved inputs. Fiscal and other concessions should be provided to attract private entrepreneurs for starting new industries. Efforts should be made to locate public undertakings in such areas provided raw material facilities are available. Roads, canals, power and

other basic infrastructure should be established in order to provide gainful employment to the people of the area. Thus with the development of backward areas, agricultural and industrial productivity would increase, employment opportunities would expand, incomes would rise and concentration of economic power in a few hands and region would be reduced.

Thus a variety of instruments ranging from direct attacks on poverty and unemployment and asset inequality to more indirect fiscal and other measures are required to reduce inequalities of income and wealth.