

INCOMES POLICY IN INDIA

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THE biggest problem facing a developing economy is one of reconciling rapid economic development with reasonable price stability. This demands that the rise in various incomes, such as wages and salaries, company profits, personal incomes from interest and dividends, personal incomes from rent, the income of farmers, the income of those engaged in personal services and so on should be moderated and they should bear the right relationship to each other.¹ In other words, there should be an incomes policy. Supplementing the more familiar instruments of monetary and fiscal policies, incomes policy should seek to hold the growth of incomes in line with the growth of output.² The wage income in particular should not advance at a faster pace than gains in productivity.

Incomes policy in India is conspicuous by its absence. It was in 1953-54 that the Taxation Enquiry Commission recommended that by stages over a period of time there should be a ceiling on net personal income after tax which should not exceed approximately 30 times the prevailing average per family income in the country.³ However, no step has been taken so far in this regard. Some broad guidelines for non-wage incomes, especially profits in general and for wage income in particular are put forward in our Plans. Nevertheless, income policy touches only the fringe of the problem and is dictated largely by social rather than economic considerations.

The First Plan stated that its "approach to labour problems rests on considerations which are related on the one hand to the requirements of the well-being of the working class and on the other to its vital contribution to the economic stability and progress of the

¹ Organisation for Economic Cooperation and Development Paris, *Policies for Price Stability* (1962), p. 32.

² United Nations, Department of Economic and Social Affairs, *World Economic Survey*, Part II, New York (1965), pp. 171-78.

³ A. Ghosh, *Indian Economy, its Nature and Problems*, The World Press Private Ltd., Calcutta, (1963), p. 398.