

ABSTRACT

Income, money and prices are important macro variables which play crucial role in an economy. The Monetarists claim that money plays an active role and leads to changes in income and prices. In other words, changes in income and prices in an economy are mainly caused by the changes in money stocks nation's long-term economic growth depends on its ability to accumulate capital, the expansion of its workforce, and improvements in its productivity In India inflation is mainly driven by supply side factors than demand side factors and the use of monetary policy to control inflation may bring short term relief but it won't be a long term solution There should be balance between monetary and fiscal policies.