

Head of Chancery

RECORD OF DISCUSSION BETWEEN MRS THATCHER
AND MR P N HAKSAR, DEPUTY CHAIRMAN, PLANNING
COMMISSION, ON 23 SEPTEMBER 1976

1. Mr Haksar outlined the general direction of Indian planning in recent years. The primary aim had been to stabilise the prices of foodgrains, vegetable oils, textiles and fuel in order to prevent the inflationary pressures caused by wage demands. The Fifth Plan had been disrupted by the 1971 war and increases in commodity prices and oil, and draconian measures had been needed to bring down inflation. Mrs Thatcher suggested that some of the fiscal measures might have had a disincentive effect on productivity. Mr Haksar thought this was not so; he described the bonus system linked to productivity. He agreed that the withholding of bonuses and dearness allowances would have to be relaxed with careful management to avoid a sudden inflationary spurt. When asked about the proportion of industry in the public sector, Haksar said this would be difficult to assess accurately. The whole of agriculture was in the private sector. Excluding agriculture, and certain industries with an agricultural input, he thought a ratio of 56 public to 16 private would be near the mark.

2. The question of foreign capital within the Indian economy was not touched upon. Mrs Thatcher commented to me afterwards that she did not suppose I learned very much from the discussion, but she had found it interesting. I agreed that Mr Haksar had not said anything of which we were unaware.

27 September 1976

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C T McGurk