

tries) and it must also owe this in a form *in* which other countries are willing to hold their balances. One of the difficulties in the situations today is that more and more countries are reluctant to hold either dollars or sterling.

The case for gold was put forward by Monsieur Jacques Rueff who emphasised the virtues of the two-way equilibrating mechanism and discipline that used to be wielded by the gold standard. Of course, he realised that a return to such a gold standard would only be possible if there was a substantial increase in the price of gold. His argument seemed to be that the

solution of the problem of international liquidity could be found if the world price of gold was doubled and (here was a ban on the use of national currencies as exchange reserves.

Perhaps one of the most interesting schemes to increase international liquidity is that put forward by Stamp. *The Stamp Plan*, in essence, envisages the I M F increasing liquidity by a fixed amount each year by investing in developing countries, either through the International Development Association or directly in their capital markets. The developing countries would then use the certificates they obtain from

the I M F to buy from the industrialised countries which would treat these certificates in the same way as gold additions to their reserve assets. This would not only increase international liquidity, but provide it to those areas which are most in need of it.

However, it must be admitted that no real agreement was reached at the Conference. The only thing on which politicians, bankers and economists could agree was that the gold exchange standard is no longer working properly. The second point on which they agreed was that some action is urgently required, but what this action should be is still no nearer solution,

## A CALCUTTA DIARY

# The Darjeeling Exodus

INDIANS old enough to know that history did not begin, although a part of it ended, on August 15, 1947, will not need to be reminded what a hardy annual the Simla exodus used to be. Long before a derelict village called Delhi was chosen as India's capital, the Viceroy and his chosen bureaucrats used to travel all the way from Calcutta to Simla for a part of the year when Calcutta, the seat of government, was more unpleasant than usually. The bureaucracy was then largely British; we have been told by Graham Greene of "the involuntary injustices of tired men" in exile in a hostile climate. Somehow, the "natives", together with most newspapers, some owned by Englishmen, never saw a diminution of injustice following the exodus and commented only on the colossal cost. Loudest in protest was the Indian National Congress.

Quite apart from the physical effects of heat, to say nothing of the worse adversary called humidity, on the children of a very different kind of weather, there was the philosophy, brilliantly analysed recently by Nirad C Chaudhuri, that ever since the Mutiny it was the conscious policy of the British Government to be aloof and apart from the people of India. The annual exodus to Simla—followed by Darjeelings, Nainitais, Panchmaris and lesser summer capitals—was part of this ritual: the heat of Calcutta might be all right for the natives but not for the superior bureaucracy. The Government those days never pretended to identify itself with the people; distance was then the essence of deference. The Congress was for the people, with the people, of the people.

Things then stood on their heads; the critics of yesteryear became the rulers. The hill stations languished. The Exodus shed all the tragic associations of the Old Testament and became a journey of hope. For a fortnight or so the West Bengal Cabinet and the higher echelons of the bureaucracy with their wives go to Darjeeling every year, accompanied by numberless underlings; and all this is for the welfare of the hills people. An imperialistic luxury has been heatly converted into a nationalistic necessity. Poor Prafullal He has to go to Darjeeling at the height of Calcutta's brilliant summer only to preach and practise national integration to the sometimes contrary people of Darjeeling.

### Sheershasana

A rather naive reporter has meanwhile spilled the beans. In his story from Darjeeling he recently said that some film actresses were leaving the place but others were on the way; Suchitra Sen had indeed left but Prafulla Sen was here! The equation became a little more disturbing when the correspondent informed his readers that Prafulla Sen, the Chief Minister, was spending most of his evenings playing cards with his friends and colleagues. A card, indeed.

Basically, there is nothing wrong whatever with a Chief Minister going on holiday and playing cards with friends in the evening. The fantastic idea that Ministers could live on Rs 500 and fresh air and a fruit cocktail of love and *ahimsa* did not make sense even in the late 'thirties when

some Congressmen saw, for the urse time in their lives, carpeted rooms and liveried chaprassis. Apart from the myth of Congress austerity, is there one reason why a Minister should not enjoy at least the same amenities as a Secretary? But no Congressman born of Mother India will enunciate so simple a proposition; hypocrisy holds a higher place. Holy day is high duty. And the bill goes to the Government, which, of course, means the tax-payer, you and me.

What makes the current scene a little touching is that we are seeing chaps enjoying themselves for the first time. They had spent a lot of their time in prison and knew no comfort, let alone luxury. To the consumption of new things, sometimes lovely and young, they bring a certain vulgar avidity which would be understood and condoned by an old surviving member of the Viceroy's executive council with a mistress somewhere in the background—had not the Congress Minister's pleasures been publicised so as patriotic sacrifices. "The pursuit of happiness" is a part of the U S Constitution; the Indian Constitution forbids it.

What makes the Indian scene today so endlessly interesting is its obvious transience. Lai Bahadur Shastri constitutes a dyke of weaknesses between two forces that I dare not identify. Prafulla Sen, likewise, represents a pliant body of feeling, not opinion, that he may not be up to much harm. Which assessment is probably correct. Playing cards with friends in the evening seems so much more a human act than playing poli-

tical chess with Atulya Ghosh, although one is not sure that the latter game is not being played too. Yet it remains a fact that the Sen-Ghosh compact has so far spared West Bengal the kind of sordid wrangle almost every other State Congress Party has painfully known and not yet recovered from. Even in Kurseong and Darjeeling Sen and Ghosh met; and they seemed the best of buddies.

The criticism against summer sorties today is that while foreigners born in another clime might in retrospect be forgiven for running away to the hills at the cost of a subject people, the native administrators of today should be used to the weather and stay pat. This is the place to make

the point that nobody ever gets used to his weather, hot or cold. With their usual contrariness, the British bellyache when it is perishing cold and they utter the most unprintable swear words when it is 80° in the shade. Prafulla Sen's Darjeeling holiday need not be grudged at all; he fully deserved his holiday, even if he was under no obligation to call it work. But everybody is wise to remember that nobody gets used to his political weather either. Everyone bellyaches; and a bellyache is almost always the beginning of bust-ups that are sometimes, if successful, called revolutions. In short, the Darjeeling junket needs what the Americans call "validation",

—Flibbertigibbet

much heralded "War on Poverty" inaugurated by President Johnson late in 1964 has run into difficulties, while the trend toward automation in industry has continued at an unprecedented rate. The "War" has got bogged down in internal battles in a number of cities, such as New York and Boston, where groups have been fighting for control over the millions of dollars being spent by the federal government on various rehabilitation projects. As a result, the success of the "War" has been limited, and in many areas, the effort has been totally unsuccessful. Yet the government has attempted measures of reform and rehabilitation. The problem it faces is of vast dimensions and, of course, needs more drastic solutions.

Some valuable work can be done; workers can be trained, educational levels in some areas can be raised, and crises in some industries can be avoided by adequate planning. But the trend toward a smaller industrial work force is irreversible, and the Administration's current efforts are not adequately dealing with the problems. Even in areas like the coal mining districts of western Pennsylvania, where the "War on Poverty" has been concentrated the situation has not substantially changed.

The summer will see two conflicting trends in the United States. The economic boom will continue at its present rate and the government's growth projections will almost certainly be proved correct. The tax cut will probably pass the Congress without much difficulty within the next few months, much as, President Johnson suggested it. On the other hand, the summer will also probably see further violence in the predominantly Negro areas of the large cities. Racial violence, which has become an integral part of the hot summer months when many people are on the streets and tempers become short in the cities, is directly connected to the economic situation. Certain sections of the population, including of course the Negroes, have not been a part of the booming economy. Poor educational levels, lack of training, and latent prejudice among employers has meant that Negroes have a difficult time obtaining jobs, and at a time of a shrinking job market for unskilled labourers, they are in a particularly difficult situation. Thus, despite efforts to the contrary, the United States is faced with pockets of poverty in the midst of general abundance. And it does not seem that with the present governmental plans will substantially alter this situation in the near future.

## AN AMERICAN LETTER

### The Economy at Midyear

WHEN President Kennedy proposed, almost two years ago, that a substantial tax cut be instituted to deal with economic stagnation, many American economists were sceptical. Although the tax cut proposal was in keeping with Keynesian economics, many conservative analysts opposed the cut, and expressed fears that the government would be forced into substantial deficit spending. In mid-1965, almost a year after the cut was instituted by the Johnson Administration, it has proved a complete success, and the U S government is at present considering massive reductions in excise and sales taxes to go along with the earlier cuts, which were mainly in corporate and income taxes,

The purpose of the Kennedy proposal was to stimulate corporate investment and individual spending at a time when economic growth had slowed down. This goal was achieved beyond the expectations of the Council of Economic Advisors which was mainly responsible for the specific legislation which was finally carried through Congress under the guidance of President Johnson,

One of the results of this rather unexpected economic boom was to produce a surplus of tax revenue, since gross corporate earnings, as well as individual incomes, were up substantially. In an attempt to keep consumer spending at a high level the Johnson Administration has proposed further substantial cuts in excise and sales taxes imposed by the federal government on many items. The Administration has, for instance, suggested that

the present 10 per cent tax on automobiles be completely lifted in a series of measures. Similarly, taxes ranging up to 15 per cent on entertainment, luxury goods such as fur coats and jewellery, airplane tickets, and other items will also be lifted. Though the federal excise taxes were originally instituted to pay for the Korean war in the early 1950's and were conceived as an emergency measure, the giving up by the Government of such a large segment of tax revenue at one time is an unprecedented step.

The rationale behind the proposed cut in taxes is not difficult to understand, however. The Administration is able to make the concessions because government economists are convinced that the growth rate of the economy will make up for the loss in revenue. Rising incomes and corporate profits have boosted government revenues in recent months. Besides, federal authorities have been concerned at the rising rates of local and state taxation. In many parts of the United States, municipal authorities, as well as some of the fifty States levy various taxes to raise necessary revenues. As a result, the tax burden on Americans, particularly those living in cities and suburban areas, has risen in spite of the cuts in federal taxes. Tax relief by the federal government will give State and municipal governments more room and will ease the tax burden.

Though tax cuts, both those already effected and those proposed, have been the most important economic news of the year, other even more important issues are in the background. The