

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