intellect. The shock of his loss is all the greater because it is not the result of old age (he was only 56) or a long illness, but of the collapse of a lung following a bout of pneumonia earlier in the year.

He will be grievously missed, especially by the Americans, who used to regard him with a sort of fascinated horror. Firstly, he was a Marxist (albeit of an individual brand) with a special bent for entering the lion's den. To be a Marxist on the executive committee of the Labour Party takes both courage and ingenuity and Laski was not lacking in either. His last years were marked by disappointments—first, disappointment in the Labour Party which he had regarded as an instrument for the introduction of socialism and which had produced instead of a few great public corporations; second, disappointment in the country which he had adopted as his second home after four years lecturing at Harvard. He returned from his last trip there full of gloom and foreboding, having witnessed what he considered to be the end of academic freedom. People were afraid not only to express progressive views, he told us, but to be seen with people who were alleged to have expressed progressive views. People in the United States believed the salvation of the world lay in "gadgets"—the more gadgets, the more civilisation. The intellectual climate was typified by an incident at a gathering he addressed—the Chicago Junior Chamber of Commerce—where hysterical cheers greeted the solemn statement by the chairman, "If Jesus Christ were living to-day. .. .He would be President of the American Chamber of Commerce."

From the Washington End

Farm Surplus Bedevils Price Support

FARM surpluses and price support have raised a most acute and pressing problem, perhaps the most controversial of the issues facing the United States today. Naturally a great deal of politics is involved in it, reference to which has been made in these despatches from time to time. The issue has now sprung right into the centre of the picture with the dramatic announcement by the Secretary of Agriculture that 25 to 40 million bushels of potatoes will either rot in the fields or be sold as animal feed at the ludicrous price of one cent a bag of 100 lbs. i.e., at a fraction of the actual cost of the bag itself! Price support for potatoes have already cost the taxpayer nearly $430 million, in deterioration and disposal of surplus.

While the problem has become most acute in the case of potatoes, it is quite serious in the case of many other products, such as butter, eggs and milk. The Commodity Credit Corporation, which is the agency of the Government for administering the support programme, had to buy off more than 100 million lbs. of butter in 1949 alone and larger purchases seem to be in prospect this year, as production is running about 10 per cent higher than in 1949. Similiarly, about 75 million lbs. of eggs have been accumulated by the C.C.C. in the last two years, and current purchases are running nearly twice as high as last year. The holdings of non-fat dry milk run to about 170 million lbs. During the last one or two months, eggs and milk are being supplied free of charge to schools and welfare agencies.

The price support programme has created tremendous storage and financing problems. Storage alone costs about $200 million a year. At the end of the current crop season, the C.C.C. will have to hold about six million bales of cotton, 350 million bushels; of wheat, 600 million bushels of corn, 45 million bushels of flax seed and so on. The above represent 6 to 15 months' domestic consumption of these products. The financial investment involved is stupendous. On December 31 last, the C.C.C. had $3645 million invested in stocks and in the crop year 1950-51, the investment is expected to mount to $600 million! For this purpose the borrowing power of the C.C.C. has been raised by $2000 million.

As time passes, price support widens the disequilibrium between demand and supply of farm products. While maintenance of prices at an artificially high rate prevents consumption from catching up with production, on the other hand, goes up under its stimulus. True, the acreage has been restricted and marketing quotas fixed in the case of several commodities but these have not succeeded in keeping the output low; the reduction in acreage has been neutralised by planting more closely and by using, other intensive methods of cultivation. Moreover, political pressure tends to raise support price levels continuously, while the proposal for lowering the support price levels mooted two years ago is being continuously postponed. The reduction in acreage also is proving unpalatable, especially to low-cost, efficient farmers, and in fact the Congress is about to permit increases in the acreage of cotton by 1.4 million acres and of peanuts by 100,000 acres. A proposal to raise the wheat acreage by 4.5 million was narrowly eliminated. As regards potatoes, it has almost been decided to give support to the crop sold under marketing agreement in respect of the 1950 crop; for the 1951 crop, there is to be no support except under strict marketing quotas which the Congress must set up by law. Farmers themselves seem to be averse to marketing quotas etc. in many cases. For instance, potato cultivators in California voted against marketing agreements for their 1950 crop.

The Administration's answer to the problem was indicated in the Brannal plan, put forward by the Secretary of Agriculture. Briefly, the idea behind it is to allow market prices to be determined by the forces of supply and demand, so that consumers may have the benefit of low prices and to pay to the producers a subsidy from the Government for the difference between the fixed support levels and the free market prices. This plan does not seem to have won much support. The country has not yet come into grips with the problem, though the surplus in potatoes has now brought matters to a head and a showdown may now be expected. The chief obstacle to a solution is political—both the Administration and the Congress have an eye on the Congressional elections this autumn and, then, there is the Presidential election in 1952. When everyone's attention is centred on elections, unpleasant decisions are apt to be shelved.

U. S. Foreign Trade in 1949

Though both exports and imports showed some decline in 1949 over the figures for the previous year, the foreign trade of the U.S.A. in 1949 still maintained an export surplus at a high level, which has been its principal feature in recent years. The export surplus in 1949 came down by about $150 million to $5374 million from $5529 million in 1948. U.S. exports in 1949 amounted to $12,000 million against $12,653 million in 1948, while imports into U.S. aggregated to $6626 million in 1949 against $7124 million in the previous year (the import figures are F.O.B.). The principal decline in exports was to the South American countries while the largest decline in imports was in respect of Europe, though the absolute figures for both were comparatively small. Imports into the U.S. have shown a slight improvement after the devaluation of currencies in September, while exports from U.S. have also shown some decline from that month.

The accompanying table gives the direction of trade by principal countries with separate figures of U.S. trade with India and Pakistan. In order to highlight the changes since devaluation, figures for the quarter September to December 1949 have been given separately.

U. S. Corporate Earnings

Corporate profits, as evidenced by a study of the reports of 2127 corporations by the National City Bank of New York, showed a decline in 1949 as compared with those in 1948. The net profits after taxation of the corporations under study totalled $6,300 million in 1949 against $6,921 million in 1948, or a decline of 9 per cent. The average decline was 10 per cent in manufacturing companies, 24 per cent in mining, 34 per cent in transporation; there were *increases* in profits in the case of public utilities by 7 per cent and

U.S. FOREIGN TRADE, 1949
(In millions of dollars)

	1948	1949	Sep.-Dec. 1949.
EXPORTS			
Northern North America ..	1,945	1,958	442
Southern North America ..	1,451	1,340	351
South America	1,912	1,559	305
Europe	4,279	4,115	887
Asia	2,130	2,218	475
Oceania	153	195	44
Africa	785	616	124
India	298	253	31
Pakistan	17	46	11
All Countries	12,653	12,000	2,629
IMPORTS			
Northern North America ..	1,593	1,552	445
Southern North America ..	946	942	208
South America	1,560	1,502	433
Europe	1,121	925	250
Asia	1,346	1,241	304
Oceania	164	125	30
Africa	394	338	89
India	265	239	63
Pakistan	26	28	3
All Countries	7,124	6,626	1,758

of financial institutions by 13 per cent, The net incomes of the corporations would be even lower if depreciation costs were stepped up on the basis of present-day high costs of capital equipment.

The causes for the decline in profits are—increase in costs of production, the end of sellers' market, the rise in labour costs, rising costs of social insurance, especially pensions, strikes, fall in inventory values, and finally loss on foreign assets owing to the devaluation of many currencies.

The total net book assets of the 2127 corporations totalled $62.8 billion at the beginning of 1949, the year's net income representing a return of 10 per cent; at the beginning of 1948 the total net assets were $57.7 billion, the net return being 12 per cent. It may be stated here that the major portion of the profits are ploughed back into the business for purposes of expansion. From this angle, corporation profits cannot be considered excessive. Taking the position of 150 manufacturing companies having sales or assets of over $5 million, it is seen that between 1940 and 1949 total assets increased from $4,358 million to $8,422 million, while current liabilities increased only from $556 million to $1,329 million. Between 1948 and 1949 total assets increased from $8,252 million to $8,422 million, but current liabilities actually showed a decline from $1,617 million to $1,329 million. Investment in plant and equipment rose from $5,383 million in 1948 to $5,720 million in 1949.

But For The Partition

(Contributed)

AS AN apology and explanation for many of our existing economic maladies and for various errors of omission and commission in governmental policy, official spokesmen have invariably blamed the partition. While a full-fledged and competent inquiry into all the economic consequences of partition may be beyond the scope of a single article, a few comments on the net financial loss due to the partition would be of considerable academic interest.

The financial burden of the partition has two main aspects, viz. (i) the burden on the external financial position of the country, and (ii) the burden on the 'internal budgetary position of government within the country. Though these are interrelated it would be convenient to deal with each of them separately. While the problem of assessing the net loss in foreign exchange due to the partition involves considerable speculative element and guesswork, the budgetary loss is easier to calculate.

What would have been our foreign exchange position had there been no partition? For one thing, the sterling assets of the Reserve Bank of India would have stood at a higher level. According to Dr. John Matthai, the State Bank of Pakistan has been given sterling worth Rs. 187 crores by the end of June 1949 since the date of separation of the two dominions. Though most of this amount would have remained with us as blocked sterling in our Account No. 2 at the Bank of England, it would not be wrong *to* say that with the help of this additional amount, the financing of trade deficit at current levels would have been feasible, not for a period of six years as is now estimated, but for nine years. As revealed by Dr. John Matthai, between July 1948 and June 1949 Pakistan had a trade deficit of nearly Rs. 63 crores with countries other than India while her trade surplus with India was of the order of Rs. 34 crores. Apparently one may be led to infer that if the foreign trade of areas now located in Pakistan had remained the domestic trade of undivided India, on the basis of these figures our aggregate trade deficits would have increased by (63-34-29) Rs. 29 crores. This would not have been necessarily so. Experience has shown that by deliberate policy, the Government of Pakistan has reduced the quantum of Indo-Pakistan trade;, from time to time. Between 1st April 1948 and 31st March 1949, to give one single example, the Government of Pakistan imported cotton yarns and manufactures worth Rs. 42 crores. Of these imports, the supplies from India accounted for only Rs. 17 crores, in value. It is common knowledge that India could have met most of the cotton yarn and cloth requirements of Pakistan. Had this been done, her whole trade deficit could have been met by the traditional internal free trade of Undivided India. On the contrary there are jreasons to believe that the physical volume of our jute exports would have increased by 20 per cent, while less of food and long-stapled cotton imports! would have been necessary. One may even hazard the guess that, given the usual facilities of the I.M.F., but for the partition, India would hardly have faced a dollar problem worth the name. Perhaps, like Canada, even our devaluation would not have been so drastic, not so much because of our own difficulties but because of the fact that most of. our holdings of foreign exchange are in sterling.

So far as the budgetary position is concerned, the main financial burden has been the expenditure in India and Pakistan since the partition on account of the large-scale migration of refugees. Since the date of partition, the Government of India has spent over Rs. 17 crores in 1947-48, Rs. 15 crores in 1948-49, nearly Rs. 14 crores in 1949-50 (revised) and it expects to spend another Rs. 6 crores in 1950-51 (budget). Besides this aggregate expenditure of Rs. 52 crores On revenue account, within the last *four* years, the Government of India has also spent Rs. 40 crores on capital account including the advances to provinces, while as indirect loans to refugees nearly