

flation through a general increase in the tax rates which are all too often permanent!

It is true enough that the Philippines has since the war been in the stage of inflation. The currency in circulation is still approximately four times what it was before the war and prices are, partly as a consequence, three times as high.

The government controls have checked the people in spending their money for imported goods, but this result (we will not say benefit) has been largely offset by a further rise in prices not caused chiefly by too much money, but by too few goods.

There are other and more proper ways to deal with this situation, and a general and sharp increase in taxators, increasing the burden on the economy and the people, is not one of them.

As for the "large investments by private enterprises as well as by the Government", which Secretary Pedrosa spoke of, what are the large private investments? We know of only a few local investments since the liberation which could properly be called large. The Government has made large investments of the people's money and these have been largely unproductive.

As to "syphoning off excess purchasing power and excess profits", we ask also, why, if there can be such a thing as "excess purchasing power", which we doubt, what sound reason and, in fact, what right has the Government to "syphon it off"? This is just a fancy phrase for *taking* the people's money. They don't want their purchasing power syphoned off; they want to buy the many things they need with it, and perhaps save some of it for their old age.

And excess profits! Normally there can be no excess profits. It is an economic fact that most new enterprises fail and that only a minor fraction of them succeed. If good profits are possible in some line of industry or commerce, that should be a matter of great satisfaction, not only to the entrepreneur concerned, but to the community and the government. It should not be anything the government should frown at. It is not only that the possibility that a profit will be made, is the principal incentive to economic enterprise, but that only profits enter into the vitally important process known as *capital formation*. Without new capital being formed all the time, without, in other words, saved profits, the economic system could not develop or expand. For a government to set about "syphoning off" profits is to do about the worst thing economically as well as morally that a government could do. What would it do with the profits? Let the bureaucracy spend it. And, under such conditions, how long would profits continue to be made by the entrepreneurs who only can make them? Profits should be left in the hands of those with the courage and foresight and ability to make them, so that they may build up capital for necessary expansion and new investments.

Heaven protect us from a government bent on "syphoning off" both the spending money of the people and their savings!

Private advices received from the United States by an important agricultural machinery importing firm in the Philippines point to the possibility of the development of critical shortages here in certain very essential types of equipment. And what is said of this equipment holds true for other machinery, spare parts, etc., as well.

Government "planners" may well consider the following excerpts from the message received:

"... The warfare in Korea has had its effect upon our business in a notable way these last few weeks... First and sharpest effect has

been the rush to buy our products,—all of them, by all kinds of customers... As a result, July sales will show the second highest dollar-volume in the Company's history... A great deal of the buying has been for cash... Orders being placed for next year's delivery are large. Customers continue to clamor for goods. Indications are that we may be able to sell every possible machine that we are able to build for the next several months.

"... The rush to buy repair parts has been so great in many lines that we have had to resort to the careful screening of orders simply to prevent our entire supply being sold out to a few large users, thereby penalizing the customer whose machine might go down for lack of a single part. The outlines of many of the old allocation headaches have begun to reappear, with customers pleading for special attention and consideration.

"A difficult new condition has arisen in the shortage of sufficient railway freight cars to move finished machines from our plants. The demand for flat cars, which are used primarily in the shipment of tractors... is so great... that we have had great trouble in moving these machines... It is even difficult to obtain box cars in the required numbers.

"Heavy demands have resulted in many price increases on the materials and parts we use in building our machines..."

We should remember that great machines, whole factories may be brought to a stand-still for the lack of one or two small irreplaceable parts which, if they could be obtained, would cost only a few pesos!

Concern is being expressed that the United States economy may not be able to bear the extra burden imposed on it by the cost of the mounting conflict. The Cost of Summer H. Slickter of Harvard University, a leading economist, was recently quoted as saying that "the net effect of the rearmament effort upon the standard of consumption in the United States will be much less than the increased expenditures on defense and foreign aid seem to indicate".

His reasons are that (1) the greater demand for goods will accelerate the expansion of production; (2) the strong demand for labor will help increase the labor force,—retirement of older men will be postponed and more women will engage in work outside the home; (3) the demand for labor will result in a more productive distribution of the labor force—from the less productive areas and industries to the more productive; (4) the rearmament will greatly stimulate technological research, and the expansion of the productive capacity both for military and civilian purposes will thereby be accelerated.

Professor Slickter comes to the conclusion that the Russian policy is not making the United States weaker, but is making it stronger. "All in all, it looks as if the Russians, by their policy of hostility, may, over the next decade, actually help to raise the standard of living in the United States".

We have only an abbreviated news report to go on, and we do not know whether Professor Slickter took an actual total war into consideration and whether he holds any opinion as to the possibly immense physical destruction and loss of life which might be suffered in such a case and the effect of this on the standard of living, indeed the chances of bare survival.

This matter involves so many uncertainties that probably no man could formulate an answer.

If another world war can be averted, Professor Slickter is probably,—almost certainly, right. The historian, Arnold Toynbee, quoted in another editorial in this issue of the *Journal*, has pointed out the important role of what he calls "challenge and response" in human history and the stimulating effect of "blows" and "pressures", as well as of "hard countries" and "new ground", and, in the case of classes of individuals, "penalizations" such as have been inflicted on the Jews, to name a familiar example.

And the great hope of the world is that the Korean conflict will not turn out to be the overture to another

world war but, instead, the prelude to a regime of permanent peace. The heroic forces of the United Nations now engaged in Korea are fighting, in the very truest sense, a "war to end war".

As the United States representative to the United Nations, Warren R. Austin, said before the Security Council last month:

"The United States, like almost every other member of the United Nations, wishes to live in peace, in tolerance, and in productive co-operation with its neighbors in the world community. The United States is determined to support the efforts of the United Nations to ensure that all countries, small and great, may be free from aggression. The United States believes that if aggression is stopped in Korea, it is less likely to break out elsewhere. The United States believes that the restoration of peace in Korea by the United Nations will strengthen peace everywhere".

And Ambassador-at-large Philip C. Jessup, speaking in opposition to a suggestion that the United States consider launching a "preventive" war against Russia, said more recently:

"War is never inevitable. Destruction of war is so catastrophic that no stone must be left unturned in an effort to maintain our security and our highest values by peaceful means. It is the conviction of our Government that this can be done."

As to the measures taken in Korea, Mr. Jessup said more specifically:

"We seem to be on the way to finding means for making international organization effective as a collective way to keep the peace."

One very *satisfying* result of Communist Russia's policy of imperialistic aggression, is that it is serving to blow up the Lenin thesis that "capitalism is the cause of war".

Capitalism as the Cause of War

Marx theory of the economic interpretation of history, attempted to prove that capitalism results in the growth of monopoly and the expansion of colonial possessions, and this in turn in imperialist rivalries and war.

This was a theory so easy to grasp and off-hand so convincing that it was widely accepted, misleading many thinkers. It charged the capitalist system and the capitalists with the arch-crime of the world, war.

And yet there was war long before there was capitalism in the modern sense, although possessions indeed attracted raiders long before the beginning of history. War had its inception in inter-tribal conflicts over hunting grounds and fertile valleys, in the raids of nomads on semi-settled pastoral and settled agricultural populations, in the expeditions of barbarians against rising centers of civilization, in the offensive and defensive wars of various ancient empires. Then there were the feudal wars between petty princes in various parts of the world, the dynastic wars which followed the formation of monarchial states, the wars between Christendom and Islam, the later religious wars in Europe, colonial and revolutionary wars, the Napoleonic wars against a master whose dream was unification. It is easy to see in all or most of these wars, whether they were wars of limited objective, or wars of extermination, enslavement, and wide conquest, fundamental economic drives and motives.

The First World War, unfortunately, presented many aspects which lent strength to Lenin's theory. Germany was a "have not" nation; it was competing for markets, demanding colonies; the capitalist nations allied against Germany combined to destroy a rival.

World War Two, however, was harder to fit into the Lenin pattern, although, again, even in this war fought primarily against fascism, economic drives undoubtedly played a part on both sides.

But the question is not whether economic or material interests play a part, or the main part, in war, or in most wars. It must be accepted that they do. The question is whether Lenin was right in charging that imperialism is the highest stage of *capitalism* and that *capitalism* is the cause of war.

As everyone knows, it is the capitalist nations which have freed their colonies.—India, Pakistan, Burma, Ceylon, Indonesia, the Philippines have all been made independent; Indo-China is on the way to independence; so also various colonies in Africa.

It is Communist Russia which has of recent years achieved conquest not only of large parts of Germany, all of Poland, and of the Baltic states on its western border, but of large parts of Eastern Europe, and, in Asia, of Outer Mongolia, Sinkiang, Manchuria, and North Korea; furthermore, it now holds all of China practically in fief. And not content with exercising general dominion, it has exterminated whole populations, and it has transported and holds in actual slavery tens of millions of hopeless people. There is an imperialism on a scale, and of a ruthlessness, such as the world has never before known.

After World War Two, the capitalist nations immediately demobilized and disbanded their armies. Through the formation of the United Nations they not only hoped for, but planned a peaceful world. Only Russia continued to build up its armed strength to such an extent that it now has all the other powers at a disadvantage.

Recently, through its North Korean puppets, it resorted to open warfare, invading and overrunning most of South Korea. The United Nations, in opposing this aggression by armed force, supplied chiefly by the United States, but aided by seven or eight other nations, is making a heroic effort to halt it, thus to prevent this small war from developing into a third World War.

And although Russia is a member of the United Nations, solemnly pledged to uphold the Charter, it is the one nation which is opposing the effort to restore peace in Korea. On the contrary, it is continuing to supply the aggressive forces with vast quantities of war equipment and supplies.

If World War Two was hard to fit into the Lenin pattern, the World War Three which now threatens mankind, could not be fitted into it at all. For it would not be a war of capitalist imperialism, but of communist imperialism. It would be a war brought on by the most vicious form of monopoly of all,—state monopoly; by the most vicious form of colonial expansion of all,—the expansion of a totalitarian state.

It is not capitalism as such, but political and economic nationalism which has engendered the wars of modern times, and Communist Russia is proving to be as nationalistic, imperialistic, and militaristic as any power in history. Only some form of cooperative world government will end war. The organization of the United Nations was a move in that direction. Capitalism does not oppose this development, but favors it, as capitalism would work best under a system of world-wide organization and cooperation.

"The forcible establishment of a universal state by some single surviving power" (the phrase is Arnold Toynbee's), which is the aim of the Kremlin, would not permanently establish peace, for, as such a state would not be established by universal consent and would have to be maintained by force, it would break up in the end, as have all the great empires of history.

While democracy is inherently inclined to peace, totalitarianism is, in its very nature, militaristic.

A further extension of individual freedom and of democratic government, and not a spreading slavery to totalitarianism, will give us permanent peace.