

War's Effect Felt the most in Russia

Nation worn out financially and economically—Only 16 per cent of its requirements met by imports from abroad—"Paper Money Regime" has disastrous results on inflation to prices

Russia is worn out economically and financially far more than any other belligerent country, says a writer in the Manchester "Guardian," who reviews the situation as follows:

"There was a good deal of justification in General Sukhomlinoff's argument at his trial that 'it was impossible to turn Russia overnight from an agricultural into an industrial country.' Russia before the war was still economically a backward country with a very low productivity of labor, agricultural as well as industrial, with a totally inadequate transport system and with a small capacity for organization. The total accumulated national wealth of the country did not, according to a statement made by M. Prokopovitch, then Minister of Commerce and Industry, at the recent State Conference at Moscow, exceed £4,000,000,000, while her aggregate national income in 1913 was estimated at £1,500,000,000.

"The war, of course, did not improve the situation, as practically the entire male population of the villages was successively enrolled in the army, while the war entailed an expenditure of £530,000,000 in the first, £1,120,000,000 in the second and £1,800,000,000 (that is, more than the amount of an annual income) in the third year, exclusive of the hundreds of millions disbursed in connection with separation allowances, railway construction and improvement, assistance to refugees from the invaded territories, etc.

FAMINE IN RAW MATERIALS.

"Add to this the fact that since the beginning of the war Russia has practically been cut off from the world's market, and that in spite of all the efforts of her allies she has had to rely chiefly on her own resources. It is not generally known, but it is a fact brought out clearly by M. Prokopovitch, that only 16 per cent of Russia's requirements have been met by imports from abroad, and fully 84 per cent have been covered on her own home market. No wonder that Russia has been 'deprived of all her stocks,' and that a time was bound to come when she found herself face to face with a famine in almost everything that is required for production.

"Such was, indeed, the legacy which Russia received from the old regime in March last, burdened as it was, moreover, by a vast amount of incompetence and corruption which had made the confusion worse confounded. If Russia had, simultaneously with her freedom, also obtained peace, she would have had still her hands full for the next generation to disentangle the confused threads of her economic life; as it was, her hands were full with the conduct of the war, and the situation became still more complicated.

"Liberty is a costly business. New institutions spring into life, demands long overdue have to be satisfied, and many crying wrongs have to be redressed. This is best seen from the figures showing the activity of the State printing press in the matter of paper money. According to a statement made by M. Nekrasoff, then Minister of Finance, at the Moscow conference, the aggregate amount of paper money issued during the last (the war) months of 1914 was £21,500,000; the amount increased only to £22,300,000 and £29,000,000 in 1915 and 1916, respectively.

"It is true that during the first two months of 1917—still under the old regime—the amount of paper currency issued suddenly jumped up to £42,300,000, but from the outbreak of the revolution till the middle of July the State printing press had to turn out paper money to the amount of not less than £83,200,000. At that rate, M. Nekrasoff calculated, Russia would have by the end of the year at least £1,500,000,000 of paper money in circulation not covered by metal!

SOME PRICES INCREASE TENFOLD.

"Such a 'paper regime' was bound to have a most disastrous result on the inflation of prices, which, added to the scarcity, has produced an intolerable state of affairs. Prices have doubled and trebled for most articles of ordinary consumption and in some cases have become tenfold in comparison with the pre-war period. This in its turn has led to a double movement; the industrial workers have come forward with demands for increases of wages which sound quite fabulous if the purchasing value of the rouble is disregarded and the hitherto prevailing low

level of remuneration is not taken into account, and the peasants are refusing to bring their corn to the market because they are unable to buy the town produce at reasonable prices. As the demands of the industrial workers are generally met with resistance by the employers, in spite of the high profits made by them during the war, industrial production is paralyzed, and the countryside is left without the manufactured article, while the town is left without bread.

"Apart, however, from the effect of inflated prices, the productivity of the soil and industrial labor has everywhere greatly diminished. The lack of able-bodied men in the villages, the lack of natural manure through the great slaughter and waste of cattle owing to the requirements of the army and the mismanagement of the old regime during the great evacuations, and the deterioration of agricultural implements have combined to diminish the cultivated area by fully 20 per cent and to reduce the yield even on the best soil to an equal degree.

MARKED FOOD SHORTAGE.

"A recent return shows that among 713 agricultural districts making returns the crops this year will be good in 226 only, while in 487 districts it will be from 'bad' to 'below average.' In many places, M.

Prokopovitch declared, 'the population has not enough bread; in Petrograd and Moscow in particular the stocks have fallen to a minimum, and no fewer than eight provinces in the heart of the country are suffering from an acute lack of food.' Here is a summary of telegrams received recently by the Ministry of Commerce and Industry:

"A telegram from Shuya announces the suspension of the saw mills. There is no bread. Extraordinary measures are needed. The Korukoff sugar-refinery is threatened with complete stoppage, as the workpeople employed have no food. Twelve thousand workpeople employed at the Yartzeff cotton mills (Smolensk province) are in an awful situation, the stacks of flour and grain having run out * * * A telegram from the Kuvshinov paper mills (Tver province) says: 'The workpeople are on the eve of famine; no bread anywhere; immediate relief required,' and so on.

"In respect of industrial labor it is the same. According to Professor Bernadsky, now Minister of Finance, the output in the textile industry has since the Revolution been reduced 17 to 22 per cent and in the metallurgical industries 40 to 60 per cent. These are general figures, but the details are still more harrowing.

"The causes are the deterioration of machinery, the absence of skilled men, underfeeding, and the complete dislocation of the railway transport, which prevents the regular supply of raw material and fuel. M. Yureneff, former Minister of Railways, pointed out at a railway congress in August that no fewer than 15,000 trucks and wagons and one-quarter of the total number of engines had been 'laid up,' and that in November the entire railway system might come to a dead stop."

Control of Bond Issues

Legal opinions in support of the Quebec Government's contention

In the Quebec Assembly on Thursday, Hon. Mr. Mitchell, Provincial Treasurer, submitted opinions obtained from Messrs. Eugene Lafleur, K.C., and Aime Geoffrion, K.C., before the Quebec Government made its protest against the action of the Dominion Government in forbidding the issue of Provincial or Municipal securities without the permission of the Minister of Finance. These gentlemen said:

It is clearly impossible to support the provisions of the Order-in-Council under the authority of subsection 4 of section 91 of the B. N. A. Act providing for the borrowing of money on the public credit, inasmuch as the Order-in-Council purports to legislate with respect to, among other things, the borrowing of money on the credit of the Province, which is a matter of exclusive legislative jurisdiction on the part of the Provincial Legislatures.

"Turning to the power of regulating trade and commerce, it is apparent from the preamble of the Order-in-Council that it cannot by any reasonable construction be regarded as aiming at the regulation of trade and commerce. The object of the measure is to facilitate the borrowing of money by the Dominion by curtailing the Provincial and other powers of borrowing. It is in no sense a measure taken in the interest of or for the regulation of trade and commerce. Except insofar as commercial corporations are concerned, none of the government, institutions, commissions, municipalities or other public bodies affected by the prohibition, are engaged in trade or commerce, and it is a misnomer to place such legislation in the category of regulation of trade or commerce. There is no commercial element in the borrowing of money on their own credit by provincial governments, municipalities, public utility commissions, hospitals, asylums, ele-mosynary institutions, religious corporations or universities. The suggestion that the Order-in-Council is intended to regulate trade and commerce may therefore be dismissed as wholly untenable. The mere inclusion, in the list of bodies or institutions aimed at by the measure, of incorporated companies, some of which are commercial, cannot bring it into the category of regulation of trade and commerce."

After quoting cases which have appeared before the notice of the Judicial Committee of the Privy Council as examples to bear out their contention, Messrs. Lafleur and Geoffrion continue:

"If we apply the principles laid down in these decisions to the case under consideration, can there be any doubt that the Judicial Committee would not extend the Federal power of regulating trade and

commerce so as to paralyze the activities and suspend the existence of Provincial Governments and all the creatures of the Provincial legislatures?

"The sinews of war, as well as the funds required for peaceful enterprises, must be obtained under the authority of the fiscal clauses of section 91, and not in virtue of any supposed implied powers. To hold otherwise would not only involve the violation of the most elementary rules of statutory construction, but would be destructive of the autonomy of the provinces. If the necessities of national defence enable the Dominion Parliament to over-ride that portion of the constitution which commits to the exclusive jurisdiction of the Provinces the power of raising money, which is necessary for their very existence, then the self-governing powers of the Provinces will be suspended at the discretion of the Federal authorities.

"Nor can the Order-in-Council be supported on the ground that it deals with the subject of criminal law. On its very face the legislation is fiscal and not criminal in its nature. It does not aim at the prevention of any offence against public order or good morals, but merely prohibits for a limited time the doing of certain things without the permission of the Minister of Finance. The very fact that the prohibition is intended to last only during the continuance of the war, and that the certificates of the minister will make the act lawful, is sufficient to exclude this legislation from the category of criminal laws. It is designed to facilitate the financial operations of the Dominion Government, and to eliminate the possible competition in the money market of Provincial, colonial or foreign governments, and of other institutions, bodies and corporations. It is earmarked by the preamble as a purely fiscal measure.

"If urgent need of money by the Dominion for war or any other purpose, authorized it to assume full control of the borrowing by Provincial Governments, it necessarily follows that a similar control could be assumed over Provincial powers of taxation, notwithstanding section 92, sub-section 2, which assigns exclusively to the Provincial Legislatures direct taxation within the Province for Provincial purposes. This would obviously complete the destruction of Provincial autonomy."

"For these reasons," Messrs. Lafleur and Geoffrion conclude, "we are of opinion that the provisions of the Order-in-Council of 22nd December, 1917, are ultra vires insofar as they purport to affect Provincial Governments, Municipalities Provincial commissions and institutions, corporations and incorporated companies subject to the legislative authority of the Provincial Legislatures."

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