

If, however, the increased demand for gold was met by an increased production of commodities and the earlier abnormal profit in gold mining restored, you have capital and labor flow once more to gold mining with an increased demand for commodities and a thorough going era of prosperity, with increased prices.

The gold producer is the only producer that does not have to sell his product, as his is money, and enters the market not as a seller but as a buyer. The demand he makes is quite independent of the market conditions in so far as he is the only producer who does not need to sell before he is able to buy.

Some people put forth the argument that production throughout the world has increased enormously: iron 70% increase; coal 45%; while gold is only 32%, and gold is only 1½% to the total of all commodities; how can gold affect prices? The reason is, the yearly production of gold is not set off against the yearly production of commodities and the significance cannot be measured by the quantity of yearly production. Commodities make a trip through the market, are consumed, and therefore disappear, but with gold, once on the market always on the market; it does not leave it but augments all previous yearly gold production.

Prices state the value relationship, or ratio between commodities as measured with the dollar's worth of gold.

In the Canadian Bankers' Journal I once read: "Changes in price levels are usually the result of the disturbance existing between the quantity of purchasing medium afloat in a community and the quantity of commodities or purchaseable goods that are offered for sale. When two pieces of money are running after one loaf, one piece of cloth, etc., where before there was only one piece of money, goods get dear and money cheap. Wherever there is more money of one kind and another, seeking to buy goods, than there are goods seeking to buy money, prices must rise."

An increase of prices on account of a large addition to the money supply has more than a national effect. If for instance one country had a large increase in its gold supply which sent its prices up, the demand for imported cheap goods would be made, and exports would fall as a result of high prices at home. The result would be an export of gold to pay the balance of imports over exports. The country receiving that gold would have an increase of prices. Therefore, the only advantage a country derives from an increased gold supply is simply that it is the first to feel the effect of increased prices, but it cannot expect to retain more than its share of the increased gold supply so long as trade remains international.

An increase in government paper money has the same effect, by raising prices in the home market exports fall and imports increase; the balance, having to be paid in gold will increase prices in the other country. When the price of wheat goes up abroad it correspondingly rises or falls at home, for the price is governed by the world's market, we are so interrelated one country with another, that a trade depression in one country soon affects the mechanism of all countries. I will leave off here to continue prices up to 1914 in our next lesson, following same with a history of the war prices from 1914 to date.

ECONOMIC CAUSES OF WAR

By PETER T. LECKIE.

NOW READY.
Preface by the author.
132 PAGES.

Per Copy, 25 Cents.
Ten copies up, 20 cents each.
Post Paid.

Blue Book Misery

By C. LESTOR

I got hold of a Blue Book the other day and I understand now why Marx had the patience to wade through so many of them in his day. The one I was looking at is over six months old, but it is packed with useful and amusing matter. Take Sir Robert Horne, speaking on the Trade Facilities Bill, 25th October, 1921:

"It will be said, no doubt, as I see it frequently stated in the press, that it is no good doing these things until you have stabilized the exchanges. The state of the exchanges is a symptom, it is not a cause which you either eradicate or alter. You might as well ask the master of a ship in the middle of the Atlantic ocean to stabilize his craft as to ask somebody to stabilize the exchanges of Europe."

Colonel Wedgewood:

"Stop printing paper money."

Horne: "If you have an adequate production of wealth you will not require to print paper money."

Sir Donald MacLean: "Since the days of the armistice up to the end of the present financial year we have spent on the navy, the army and the air force very little short of £1,000,000,000, and our example has been followed or worsened by the efforts of European countries, small and great, old and new."

Sir W. Raeburn: "A great many of the trade union leaders who speak with one voice here and another voice outside are maintaining a constant demand for the abolition of the capitalist system. In other words, they are wanting constantly to abolish us and at the same time they expect us to show them good will and to co-operate with them. The feeling on our side is one of goodwill."

Mr. Lambert: "I listened to my hon. friend on the labor benches the other day who said the local authorities were at the end of their tether. So they are, but is not the government at the end of its tether too? To imagine that the government has an inexhaustible store of revenue to pour forth to a hungry world is, to my mind, quite beside the mark."

Mr. Samuel: "If we look at the position of the markets in nearly every part of the world, South America, India, China, Japan, Australia or wherever you go, it is an extraordinary fact that, where we thought that the markets were going to be depleted of stocks after the war, in nearly every case there is sufficient stock to carry on and to supply the needs of the people of the country."

"When the war was ended there was an enormous rush for stocks in this country. Everybody thought it would be very good business to buy up those stocks and ship them out to the different mar-

kets. They did so, but the markets did not respond, and a great deal of the stocks which were sent out remain in those markets unsold. The consequence is that the merchants have large stocks on hand on which they have taken advances from the banks."

What do you think of that now? When the British House of Commons starts worrying it is a sure sign that the trouble must be bad.

Lieut.-Colonel Hurst:—"From a Lancashire point of view the key of commercial prosperity lies in India. It does not lie at the present time in the impoverished countries of Central Europe, and the ports of India are simply blocked with manufactured goods sent there from Lancashire in pursuance of orders received from India at a time when cotton stood at a very much higher value than at the present time. . . . 'The fall in the value of the India currency has had a terrible effect on Lancashire, and you have to correlate the effect of the boycott by the Swadeshi movement run by Mr. Gandhi. In any country except our country Mr. Gandhi would have been hanged long ago. It is toleration of that kind which makes this Empire what it is. During the war we talked a lot about self-determination. It was very useful indeed as a solvent in fighting against the Central Powers. Unfortunately, the war cry of one year becomes the folly of the next, and we are now paying all over the world, particularly in India, for having preached that doctrine in an emergency.'"

Sir Arthur Michael Samuel:—"Money has been lent abroad by British investors, and the loans have been arranged in the City of London, and this money has done a great deal to build up our export trade.

The money did not go out in bags tied with ribbon—in bags containing yellow gold—it went out in rails, in machinery, in locomotives and in rolling stocks. We lent money to Canada. We lent money to Mexico, to Queensland and other countries, and now we see, having lent money to those countries, they have attracted our capital from us and they only confiscate it or destroy its earning power. . . . So it is with Canada. We have lent money to Canada to develop her country. We built her Grand Trunk Railway; she takes it without paying for it. These are the markets which of late have failed us."

I think this is long enough, but I hope I have interested some of the boys sufficiently to induce them to spend six cents occasionally on a government Blue Book.

The system has reached that stage when the House of Commons is compelled to discuss openly economic questions, and this provides the class conscious slave material for good propaganda.

DEVELOPMENT IN SOVIET RUSSIA.

(Continued from page 5.)

much has been changed in Russia in this short interval. Requisitions have disappeared, giving place to the food tax; free trade has come into existence and is strengthening itself; markets have revived, and the streets are enlivened by signs and shop fronts; private trade has begun; banks have opened; co-operative societies have revived; and the monetary system is returning more and more into force. At the same time the State has begun to reduce its economic activities and to surrender a number of functions which it formerly fulfilled, and in its practical work is adopting the methods and customs of State capitalism. The essence of the evolutionary process which Soviet Russia has undergone during the past year may be briefly stated thus: The Communist power has entered upon the path of the partial restoration of capitalism, adopting some of its more important characteristics and methods.

The Limits of Retreat.

Many people, especially among the opponents of Communism, observing this process of retreat, maliciously point their fingers and assert that Communism is bankrupt. They further declare that Com-

munist will now be obliged to retreat until capitalism has been fully restored.

Is this really so? What are the limits to the retreat which the Soviet Republic is now making?

Let us attempt to answer this question.

History affords indisputable evidence that revolutions, especially those profound truly mass revolutions, invariably leave marked traces upon the political and economic structure of the countries in which they have taken place. Even where the revolution is followed by counter-revolution, development never returns to the point at which the revolutionary process began. Even less is such a result to be expected where the revolution has been triumphant and has overthrown its enemies. Such was the case with the Russian Revolution. The motive force of the Russian Revolution was, and is, the ideology of the proletariat. It sought to find its expression in the stormy incidents of the last four and a half years. The Revolution triumphed. Can it be that the economic and political structure of the Republic will remain as though victory had never been? Can everything return to its former condition? Can the retreat really end in pre-war capitalism?

(To be concluded)