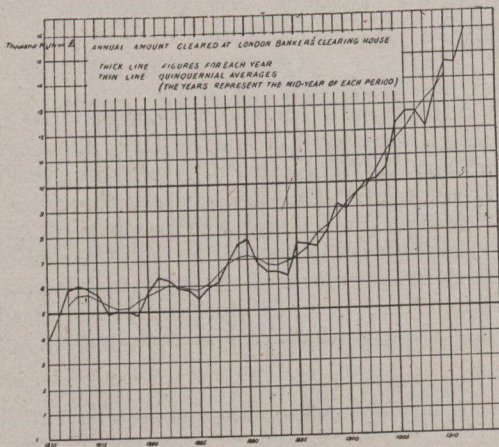


Any man may practise the theory himself. Let him buy a piano, for instance, and endeavor to turn it over to somebody else at the same price. He will find quite a formidable gulf between supply and demand. It is always easier to buy than to sell. Therefore, every period of activity and expansion must sooner or later experience a slowing down in the machinery of production in order to give the markets time to improve their absorptive capacity, which, of necessity, will increase concurrently with the wealth of the world, the higher standard of comfort for labor and the more lavish luxuries of the rich. If these setbacks, which round up, as it were, every period of activity, failed to occur, a most phenomenal and truly incredible situation would arise. We have agreed that excess of production over consumption is what promotes the symptoms of depression. Continued production at such a stage would aggravate them. Let us assume that a powerful banking combine were willing and mad enough to lend more money for still larger constructive works. What would be the result? It would provide an outlet for the product of certain industries,



and it might be possible for a time, by reason of the comparatively free circulation of money in wages, to believe in a sort of shadow-show of prosperity. But so soon as these new works began to produce, which, presumably, we should expect them to do at some time or another, a calamitous slump would intervene, work would be suspended wholesale, and we should have a spell of depression over a long period such as would justify all our grimaces.

The world-wide depression of 1908-9, caused by over-production, was marked by a surplus of both capital and labor in England, which proved that markets were insufficient to absorb the goods they could produce. The same applies to the existing depression, but to comprehend the true inwardness of the situation we have to look a great deal deeper than at these facial facts. Meantime, we will examine it in an endeavor to see how it affects Canada. There is no doubt as to the sentiments of British investors to this country, and a great deal of the journalistic lucubrations and the effusions of amateur litterateurs in the banking and business world on both sides of the Pond are true. Many adverse factors have combined to throw a cold douche over the enthusiastic hopes of British investors, and the recent slump in Canadian Pacifics will accentuate their diffidence. The securities of this line converted London into a roaring camp three years ago, and country investors sent along a fair quantity of money for the gamble. Those who lost will not forget immediately. The unfortunate issue a while back of the Canadian Northern, which purported to carry the guarantee of the Federal government, was severely

handled in the Press and made another sore point. The newspapers also levelled critical shafts at the borrowings of embryo municipalities, who toed the line, cheek by jowl with the big towns, and asked for money to lay out parks. The difficulties of certain companies and the ill-success of the Grand Trunk were also reproofs to those who considered all things Canadian certain of success. But in spite of these there is still plenty of loanable capital in the Old Country waiting for sound, well-financed and judiciously-floated Canadian enterprises. As it is, Canada has already had 193,853,000 dollars in the last six months. Here are the totals in pounds sterling, together with the corresponding half-years of 1913 and 1912:—

Destination of New Capital.

	First-half of year 1912.	First-half of year 1913.	First-half of year 1914.
United Kingdom—	£	£	£
Total	24,159,400	20,324,400	24,909,700
British Possessions—			
Australasia . . .	4,201,900	11,996,400	18,796,200
Canada	14,978,600	20,437,400	38,770,600
India and Ceylon	3,225,500	3,457,000	3,173,100
South Africa . .	2,695,100	5,439,100	5,122,900
Other British Possessions . . .	2,831,100	1,672,700	4,389,800
	27,932,200	43,002,600	70,252,600
Foreign countries..	58,252,000	57,032,600	57,187,000
Total for first half-year	110,343,600	120,359,600	152,349,300

These figures show very favorably in comparison with those of previous corresponding periods, and, regarded superficially as concrete improvement, they tend to induce a feeling of satisfaction which more abstract speculation fails to justify. Comparison is not the sole criterion when based simply upon corresponding figures. To discover what progress has been made we have to consider the world's increased wealth and population and their greater needs. Canada has a greater population than in the two corresponding periods, and the round sum of £38,770,600 may not represent a fair proportion of the increased lending power of the United Kingdom. Moreover, the amount was lent in large blocks, mainly on account of railways and municipalities, and precious little of it was for general industrial enterprise, which is in vital need of capital.

	World's population.	World's commerce. £	Gold production for the decade ending at the year shown. £
1860 . . .	1,205,000,000	1,510,000,000	278,000,000
1870 . . .	1,310,000,000	2,221,000,000	263,000,000
1880 . . .	1,439,000,000	3,075,000,000	240,000,000
1890 . . .	1,488,000,000	3,650,000,000	221,000,000
1900 . . .	1,543,000,000	4,189,000,000	438,000,000
1906 . . .	1,579,000,000	5,712,000,000	646,000,000
1910 . . .	1,616,000,000	7,007,000,000	788,000,000
1911 . . .	1,630,000,000	7,373,000,000	829,000,000

This table, showing the increase in the world's development of population, commerce and gold production to 1911 enables the reader to form a shrewd idea of the compound growth in wealth and people. The estimates