

PUBLISHED EVERY FRIDAY
by
The Monetary Times
Printing Company
of Canada, Limited

Publishers also of
"The Canadian Engineer"

Monetary Times

Trade Review and Insurance Chronicle
of Canada

Established 1867

Old as Confederation

JAS. J. SALMOND
Managing Director

FRED. W. FIELD
Managing Editor

A. E. JENNINGS
Advertising Manager

Depression and its Causes

SOME reasons why we should welcome slumps such as that in which Canada and other countries are participating to-day. Cold douche given to enthusiastic hopes of investors.

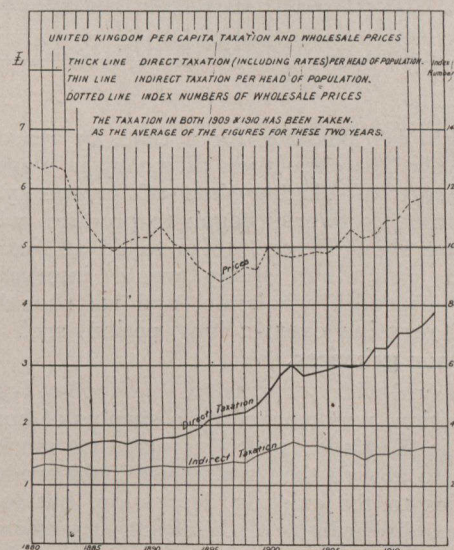
By STEPHEN HUTCHINGS.

SLUMPS are a necessity, and we should welcome rather than resent their occurrence. But we are not a logical people, and habit ill-disposes us to reason out coldly things that touch our pockets. Instead, we are accustomed to deprecate them in mild despair and to suffer their incidence in a spirit of martyrdom, much the same as we suffer the intrusions of a poor relation. This simply proves how egregiously stupid we are. Did we pause to reflect we should recognize that trade depression is a cardinal law of economics and as big a factor in the world's industrial system as sleep is in its natural life. None of us courts either consciously. We labor and take our rest without question; sleep comes unasked, except to insomnia victims, and try how we may we cannot dispute nature's authority.

So it is in our economic life. We press forward feverishly, constructing and producing, oblivious to all else in the heat of it, the while prodigally expending credit, which is the vital economic force, until the economic machine flags and at last demands a rest. During that period of abeyance the equilibrium is restored, fresh energy is gathered, and the economic wheel speeds up until once more it revolves to the climacteric exhaustion and another period of so-called depression sets in. Thus we get "booms" and "slumps" in cycles, timed and measured according to the amount of energy stored and the rate of its expenditure, and alternating as inevitably as day and night.

Let us see how it works. Throughout the world there is a constant creation of capital, i.e., savings, and of new labor in the shape of young adult humanity, ever ripening for economic use. In the last decade this new productive energy, which must be employed, has sought an outlet in the mines, factories, ships, railways, machinery, warehouses, and the whole gamut of industrial units, simultaneously with the progress of a vast transformation in the interests of economy and efficiency. Modern methods have called for the scrapping of costly machinery, the multiplication of plant, more supplies of raw material, larger factories and buildings, greater railway systems and ships, and the introduction of all manner of labor-saving devices; indeed, things have been at such a fever heat that the profit-earning machinery now employed may be said to have been replaced practically out of the savings of the last few years.

This transformation in the world's existing economic structure has absorbed a great deal of the new capital and labor, but the bulk of it has been diverted into unexploited countries. The incalculable resources of the selvas of Brazil, the vast prolific pampas of Argentina, the varied and huge potentialities of Canada, have all been tapped and embraced in the world's sources of wealth. These and other lands have provided additional markets for the manufacturers in their need of railways,



harbors, telegraphs, etc., and in response they have yielded minerals, cereals, wool, cattle, etc., in superabundant quantities. This is all to the one end of putting consumable goods into the hands of consumers at the lowest competitive cost. Such concentric productivity, in thus conferring a boon upon the consumer, who, incidentally, has a heap of politico-economic conspiracies to endure, and is, therefore, deserving, also has the counter-vailing effect of disabling a proportion of both capital and labor from co-operating for the ordinary purposes of production. The reason is simple enough. It is avouched and statistically and economically proved that even in normal times the tendency of production is to outrun consumption.