because capital had been depleted by the enormous and wasteful expenditures of governments.

All this may be summed up in the one word, "maladjustments." Accordingly, the period of depression in which we now find ourselves is necessary to correct these maladjustments. We are atoning for past economic sins; paying up past debts; liquidating frozen loans. We have had over-production, and are now readjusting production to consumption. Prices of many commodities, such as copper, cotton, wheat, and wool, were inflated. They are now being deflated. First the prices of raw materials and of many farm products were too high in comparison with the prices of manufactured products. Now most raw materials are unduly low in comparison with finished products, and farm products have fallen much below average in comparison with most manufactured goods. In general, retail prices have failed to come down in proportion to wholesale prices, and the cost of living is still high in comparison with the prices which the producer gets for his products at wholesale. This is the customary lag, due to the effort of the retailer to limit his losses.

These price maladjustments must be corrected before we can expect a resumption of normal business. Business consists in buying and selling, and as long as markets are not in normal adjustment and we have in prospect declining prices for finished products and commodities sold at retail, business will remain backward.

All this is nothing new. We have passed through other "new eras," as in 1907, 1893 and 1873, which are quite comparable with the present one. The difference is merely a matter of degree.

It is discouraging, however, to find that we have not profited by these past experiences. In most major panics there have been the same efforts to talk ourselves out of a bad situation. The "sunshine" clubs and "business as usual" movements of the past, in spite of their futility, have been all too much in evidence during the past two years. And the same may be said of the attempts to remedy the excesses of inflation by more inflation and "credit injections."

In times of depression the body politic becomes infected with social parasites and other harmful organisms. To-day we are threatened with socialism in various forms; we also find numerous well meaning panacea chasers who think that business can be stimulated by some schemes known to themselves, without the necessity of correcting the fundamental maladjustments which afflict us.

Especially should we be on our guard against the insidious workings of inflation and the dole system. This begins with proposals to spend hundreds of millions of dollars for public works solely for the purpose of giving employment. It includes the idea that paying high wages will make business good, which if pushed to its logical conclusion would lead us actually to raise wages regardless of the productivity of labour or the earnings of business. Then there is the proposal for a vast system of unemployment insurance to be supported by the Government. All these schemes are in the last analysis only an attempt to beat the game. They do not alter the fundamental conditions. They all involve increasing the burden of taxes, and they all mean taking money from one class to give it to another.

It is time for us to take stock of our situation. We should make studies of the causes which led up to the crisis, in order that we may prevent, or modify, such a development in the future. We should learn and record for the benefit of the next generation the futility of farm boards, untimely credit injections, artificially maintained wage rates, optimistic propaganda, and the like. We should carefully note what measures and adjustments prove helpful.

A certain amount of natural relief has already taken place, and there is evidence that the period of correction and adjustment is well under way. On all sides we see incompetent management failing; we find the least efficient labourers forced to seek new jobs or temporarily out of work; we find economies of all sorts being adopted. Many men, drawn away from the farms during and after the War, have returned to the farms, where they can at least live a healthy life and be free from want. The production in some industries is exceeding the production for the preceding year, and industry by industry, recoveries will be made on normal lines.

The sound methods of procedure which may be adopted for the purpose of facilitating business recovery would seem to be as follows:

1. Encourage the prompt and thorough correction of the existing maladjustments, particularly those which still exist among commodity prices.

2. Actively promote economy so that expenses may be reduced to a minimum and a profitable condition be restored; even, if necessary, as low as pre-war price levels.