

BANK OF MONTREAL  
COPY

DRUMMOND AND ST. CATHERINE STS. BRANCH  
1205 ST. CATHERINE ST. WEST  
MONTREAL, QUE.

Extracts from an Address By

Hon. OGDEN L. MILLS

(Under Secretary of the Treasury)

25th January, 1932.

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CAUSES OF SETBACK CONSIDERED:

Some day it will be well worth while to examine critically the causes which have led up to such a catastrophic contraction. At present, the immediate task is of greater importance. Suffice it to say that while an increase in our gold supply of about \$ 1,500,000,000 over the past decade must inevitably have produced some measure of expansion, the speculative excesses which accompanied this expansion were bound to bring serious retribution; moreover, our banking mechanism, in part because of the excessive number of banks, contained elements of weakness which rendered it less able to stand the strain of drastic liquidation. Events have demonstrated that the increase in number from 10,000 in 1900 to 30,000 in 1920 was a source of weakness rather than strength.

In any event, by the middle of 1929, from a variety of causes - of which in my humble judgment human nature was by no means a minor one - our whole economic setup had reached a point where a sweeping decline was as inevitable as the downward course of the noonday sun toward the horizon. Economic excesses inevitably entail economic re-adjustments. When the economic pendulum swings much too high, its subsequent downward course is likely to be accelerated and will continue until the re-adjusting forces have spent themselves. At that point stabilization should take place and an upward movement would be resumed were it not for the imponderable factor involved in human nature itself.

From the middle of 1929 to September, 1931, wholesale commodity prices fell about 30 per cent; industrial production declined about 40 per cent; and all bank loans and investments by about \$ 4,500,000,000. After such a sweeping decline accompanied by corresponding readjustments of all kinds and the elimination of weak spots and elements of instability in the economic structure, it is not unreasonable