

There is an increase of about \$145,000,000 in the total, but the increase in the amount sold in the United States is over \$170,000,000. Had it not been for these sales the difficulties in connection with New York exchange would have been much greater.

The Process of Adjustment.

The difficulties of reconstruction after the great war are even greater than we feared. The whole world is feeling the effect of four years in which the ordinary work and economics of life were not merely neglected, but the basis thereof was almost swept away. We are short of almost every commodity, the strongest evidence of this being the fact that millions of people in Europe face actual starvation. We cannot re-establish the normal supply of commodities except by working harder than usual, and we cannot lessen the terrible strain of high prices without doing the extra work which will put an end to the lack of commodities. We cannot adjust prices without also bringing about a contraction in the volume of paper money and other instruments of credit, and so far as it is possible to enforce contraction without interfering with the production of what is really necessary, the reduction of prices will be facilitated. In a word, bankers should not aid speculation, or assist ventures which do not directly lead to production. We are still building ships with feverish haste throughout the world, and we ought to be spending large sums on railroads in order that commodities may be freely distributed. The present cost of ocean transportation, quite as much as the cost of goods at the primary markets, stands like a huge barrier across the pathway of return to normal conditions. What is worse, however, is that even present prices, in the natural order of things, will go on rising until the lack in the world's supply of commodities has been filled, and there has been a large contraction in the volume of paper money now in existence.

Wages and Prices.

In the case of many classes of wage earners there has been an adjustment of pay against this increased cost of living, but there are many instances in which there has been either no adjustment or one quite inadequate. There are, however, some classes of earners who are so highly paid, in comparison with the past, that they have unusual spending power, and, along with all the others who have profited unduly by the war, they are spending their money in such a manner as to increase still further the troubles of the less well-off. Apart from this, after the gigantic struggle of the war, the world has slackened its energies and is filled with argument and unrest. All these elements move along an ascending spiral which clearly ends in ruin if we cannot arrest their course.

Prices will be higher than before the war for many years to come, but a readjustment to tolerable conditions is absolutely necessary if we are to enjoy the peace bought at such a cost. Governments must cease borrowing and keep their expenditures within their powers of taxation; both individuals and governments must spend less on things not absolutely necessary, and we must all work harder to produce the normal supply of all the commodities useful in life.

Co-operation Essential.

Canada, as I have already said, won its high place in the world's regard by superb co-operation in the one ideal of winning the war. Can we not compromise for the moment the differences between capital and labour, between farmer and manufacturer, between the various interests that are risking our future for the sake of their own particular grievances, and co-operate in another ideal equally great, the restoration of peace and the return of prosperity on a better foundation? With this accomplished the separate ideals of the industrial divisions of our society can be discussed with far more chance of fair adjustment than is possible in these difficult times.

Must Increase Exports.

We know now roughly the cost of the war as represented by our public debt. This debt is held mostly at home but partly abroad. In addition, there were issues of securities made before and during the war by governments, municipalities and private companies, and sold abroad. On the whole of this debt, so held abroad, the annual charge is about \$190,000,000 per annum. Of this roughly about \$65,000,000 is due to holders of our securities in the United States, and about \$125,000,000 to holders in Great Britain and Europe. This debt we can pay only by an excess of exports over imports or by new borrowings. The debt at home is our own domestic affair. Certain citizens have advanced the cost of the war to the nation, and we now have to distribute this cost by taxation over all the citizens of Canada (except those who escape taxation), so as to meet the annual amortization payments. If the annual payments are obtained by reasonably fair taxation, so levied that the taxes do not become a cause of restraining our industries, we shall not fail to win through, but to accomplish this, much study of the subject is necessary.

Taxation.

Many forms of taxation not yet in use in Canada will doubtless be employed, in addition to those now in force, but the whole question should be approached without that class feeling which often causes taxes to be so apportioned that bitterness and a sense of injustice are felt by many who do not object to being heavily taxed so long as those who really can afford to pay their share do not