

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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UNEMPLOYMENT AND PUBLIC WORKS

UNEMPLOYMENT has failed to provide the *raison d'être* for extensive public works planned when the war ceased. In fact, the prolonging of the period of rising prices and labor scarcity has made it seem advisable for governments and municipalities to reduce their construction work to a minimum. This policy is unquestionably sound, and where not followed out dangerously heavy capital charges are being incurred.

But while the post-war reaction has not yet come, there are signs that it is at hand. Quite apart from the war and its reactions, however, regular business crises always produce unemployment. These crises are found to occur at intervals of from seven to sixteen years. The last one in England, the United States and in Canada was in 1914. A crisis follows a period of expansion, and is characterized by a fall in prices, lack of new enterprises, and unemployment. As the business growth of the past few years has been abnormally great, it may reasonably be expected that the next depression will be correspondingly severe.

What can and should the government do to mitigate such a condition? Apart altogether from its function in controlling industry as a whole, the state—and this means the provinces and municipalities as well as the Dominion—is itself an employer of labor. In fact, in Canada it is the largest employer of labor. The possibility and advisability of the state so planning its public works as to keep out of the market for labor and materials in times of expansion, and coming into the market at times of depression, were discussed by W. C. Clark, professor of political economy at Queen's University, in an address on the "Regular Ration of National Demand for Labor by Government Employment," read at the meeting of the American Association of Public Employment Offices held in Ottawa two weeks ago. Professor Clark took the view that the state could perform an effective service by so doing.

But such a question must be considered from the national point of view rather than from that of labor alone. Labor would probably benefit by such action, for the large

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works undertaken at the time of depression would sustain employment and wages, more than offsetting the adverse effect of the removal of the state from the market when business was good. But under this system public works would be carried on when private industry, the judgment of which may be taken as being generally right, considers new works inadvisable. The most acute stage of the crisis is when prices are still high, but unwillingness to risk the future so great that further expansion ceases and the volume of business contracts; in other words, when the momentum of the rising prices movement carries it beyond the period during which its causes are in play. This would be the logical time for the state to take action. When prices have reached the bottom, on the other hand, and even before they have reached the bottom, private business again plans new work, and its demand relieves the unemployment and lack of markets which was so acute when prices were higher. Recent tendencies have been in the direction of government industry adopting the methods which have proved successful in private industry. The adoption of the above-mentioned policy would be a move in the opposite direction, for it regards public works as a means of adjusting labor supply and demand, rather than something carried on for the welfare of the country as a whole. Should not public policy be to operate state industry for the welfare of the public rather than of a section of the community?

CONDITION OF AMERICAN INDUSTRY

BUSINESS in the United States is below normal, according to an inventory of conditions just prepared by the Liberty National Bank of New York. The information was secured from representative concerns in diversified lines. Forty-two per cent. of those interviewed report the volume of their sales as being above normal. Cancellations, inventories, accounts receivable and transportation difficulties are, generally speaking, excessive. Collections, coal supply and efficiency of labor are, on the other hand, lower than usual. It is the feeling of the majority that a normal situation exists as to accounts payable, availability of materials,