

those necessary leakages of industry involved by the wholesome movements of modern industry.

THE CAUSE OF TRADE DEPRESSION.

He, however, was not among those who thought that the great trade fluctuations which result periodically in depressions could be explained by any mere addition of these small forms of waste. He held that view for the reason that the small changes to which he had alluded were chronic. They were extremely numerous, and they took place over all parts of the industrial system. Taken in the aggregate their effect must be fairly regular. At certain periods there were a larger number of changes, but they got a more even level of the amount of disturbance as industry advanced. If this was correct it involved a more serious attention to the problem of trade depression, and the necessity of a more serious attempt to explain what trade depression means. What they had got to meet was the difference between the two per cent. of unemployment in a booming year, and the nine or ten per cent. of a year of deep depression. That difference was attributed to what was called a wave of trade depression, but to call a thing a wave of trade depression was not to give an explanation of it. They had to confront the problem of the cause and nature of trade depression. He might occupy the whole of that Conference in discussing this matter in detail, but he would only mention two of the theories which had been advanced to account for trade depressions. One of these was the theory propounded in certain quarters that these trade depressions were due to bad harvests which were caused by some defects in the conduct of the sun—by sun spots. When, however, they came to examine the arguments brought forward in favour of this explanation they could find no reason whatever for identifying periods of bad harvests with periods of low prices and depressed trade, as measured by figures of unemployment. There was no adequate reason to suppose that the difference in the quantities of raw materials that were brought into the industrial machine formed anything like an adequate explanation of the difference between good and bad trade.

Other people put forward a psychological explanation of trade depression. At one time a man's prospects are very bright, and he is highly speculative, and then he begins to take a gloomy view, he becomes depressed, and consequently less speculative, and these psychological changes in men's minds register themselves in the actual world of industrial conduct. Those who put forward this theory as adequate did not explain in the least the connection which took place between this purely mental process and