

must be reiterated that this period is merely one of several phases in our history where identically the same effects are to be discerned.

Another, and perhaps more important, consideration in relation to business cycles is revealed by the graph (Fig. XIV) which

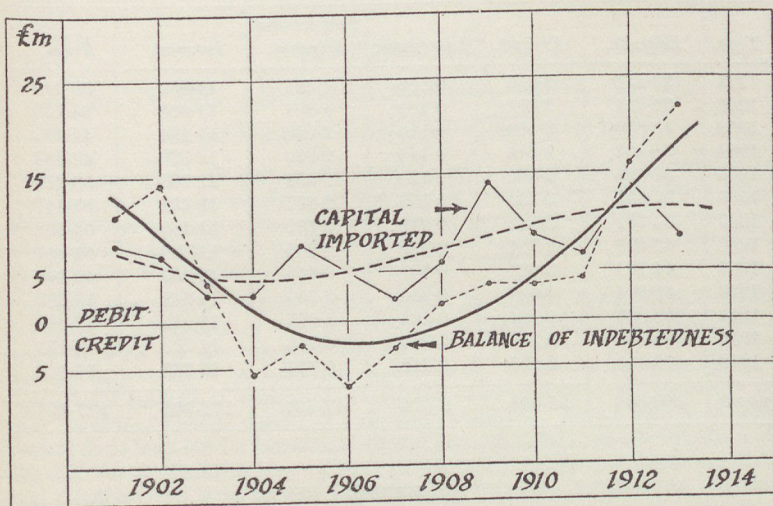


FIG. XIV. CAPITAL LOANS AND THE BALANCE OF INDEBTEDNESS, 1901-13

*Smoothed 5-year moving-averages of loans and of excess of debits over credits shown heavy.*

concludes the survey of the period. The precarious poise of national finance, when either normal productivity or the customary flow of capital falls away, is exposed by the intersection of the moving-average curves in 1903 and again in 1910. That business depression should accompany the excess of indebtedness over capital borrowings is no mere coincidence. Effect follows cause with logical precision; and the main facts stand out too starkly from the picture to admit of misinterpretation.