

steel industries. The index of employment (1926=100) in the agricultural implement industry dropped from an average of 115.6 for 1929 to 67.3 for 1930 and 37.2 for 1931, as a direct result of the reduced purchasing power of the agricultural population. The production of motor vehicles in Canada reached a high record in 1929 with a total of 262,625 cars and trucks, but declined to 153,372 in 1930 and 82,614 in 1931, a smaller total than in any year since 1921. This has been the result not only of reduced purchases of cars in the domestic market due to the hard times, but to a large falling off in exports, which amounted to 101,711 in the calendar year 1929 and only 13,813 in 1931.

Railway Transportation.—The chief transportation agencies in Canada—the two great railway systems—have been inevitably affected by the sharp decline in the volume of the principal crops since 1928 and still further by reductions in commercial activity in many other lines in the last two years. Moreover, motor vehicles and improved highways have offered serious competition to the railways, chiefly in passenger traffic, but increasingly also in freight traffic in the more densely populated parts of the country. The loadings of revenue freight on all Canadian railways in 1929 at 3,524,019 cars were slightly lower than in 1928. The loadings dropped to 3,146,247 in 1930 and 2,570,520 in 1931, a decline of 31 p.c. from the record year 1928. The percentage declines in the two years from 1929 to 1931 for the various classes of commodities were as follows: grain and grain products, 14 p.c.; live stock, 28 p.c.; coal, 28 p.c.; lumber, 50 p.c.; pulp wood, 45 p.c.; pulp and paper, 30 p.c.; other forest products, 45 p.c.; ore, 53 p.c.; merchandise (less than carload), 17 p.c.; and miscellaneous, 28 p.c. The only enumerated commodity to show an increase (17 p.c.) over the two years was coke.

Freight earnings are universally recognized as supplying the great bulk of the revenue of Canadian railways and a falling off here necessarily has a serious effect on earnings. Gross revenues of the more important railways were \$357,674,000 in 1931, as compared with \$449,645,000 in 1930, \$529,200,000 in 1929 and \$555,638,000 in 1928, the record year. Net revenues dropped to \$39,317,000 in 1931 from \$72,785,000 in 1930, \$99,931,000 in 1929 and \$120,041,000 in 1928.

External Trade.—The external trade of Canada has been affected during the past two years, so far as exports are concerned, by the smaller crops since 1928 and the much lower prices obtained for them, as well as by the general trade depression throughout the world. The decline in imports during 1931 has been greater than that of exports, the normal position for Canada in a time like the present, when, with heavy interest payments to make abroad, there is no large inflow of foreign capital taking place. Exports during the calendar year 1931 were \$617,243,000, compared with \$905,460,000 in 1930 and \$1,374,246,000 in 1928, the record year since the war. Imports in the calendar year 1931 amounted to \$628,098,000, compared with \$1,008,479,000 in 1930 and \$1,298,993,000 in 1929, which was the peak year for imports.

Currency and Banking.—Just as a high interest rate with a strained credit position is one of the leading influences which eventually apply the brakes to a period of inflation, precipitating a period of readjustment, so does a low interest rate with easy credit conditions facilitate the completion of that readjustment. A relaxation in credit conditions has usually therefore been a prerequisite to recovery from a period of depression. The deflation of security prices, the decline in commodity prices and reduction of industrial operations which occurred in 1930, by the release of liquid capital, eased credit conditions a great deal and strengthened