

Economists, however, were almost united in the opinion that existing conditions were radically unsound, that prices and wages were inflated, that the remuneration received by various contributors to the work of production was abnormally large, and that received by others abnormally small, and that this state of affairs could not go on much longer. It was actually stated that May 1 must see a change, and this prediction was actually borne out by the facts. Wholesale prices in Canada, as shown by the diagram on page 545, actually did reach the maximum on record in that month, and generally speaking, the index number of wholesale prices in other leading countries reached their maxima at nearly the same time. The United States Bureau of Labour's index number reached its highest point in May, while for the United Kingdom, the Economist's index number reached its maximum in March and the Statist's in April. Similarly, the French index number, ("Statistique Générale") and the Italian index number (Bachi) reached their maxima in April, and the Bank of Japan's index number in March, while the official Indian index number reached its highest point in May and the official Australian index number in August. The list might be extended, but sufficient has been said to show that the reaction which occurred in the latter half of 1920 was a world-wide phenomenon, due to world-wide causes.

The greatest world-wide reaction in wholesale prices that has ever taken place, bringing the Canadian index number down from 356.6 in May, 1920, to 290.5 in December, had profound consequences upon the economic situation throughout the country. Once it was realised that prices were at last on the downgrade, that very fact led consumers where possible to abstain from purchasing, in the hope of securing better bargains later on, and thus precipitated further declines. These declines in values also in many cases wiped out the equities of dealers in their stocks of goods, and their over-extended position in the autumn and winter of 1920 led to many failures, even among old and reputable business houses, though, realising the extraordinary character of the situation, creditors in many cases extended to their debtors every possible consideration. In spite of this, commercial failures increased from 50 in May, 1920, to 169 in December of that year, and to 228 in January of 1921.

The banks again, which had lost some \$125,000,000 of their savings deposits to the Victory Loan of November, 1919, and had not been able to refill the reservoir, so as to meet the great demands which were being made upon them for loans, found themselves compelled in the summer and autumn of 1920 to shorten sail, this being noticeable first in a decline in their call loans in Canada and later in their current loans in Canada. Necessary though it was, this policy tended to aggravate the general commercial situation.

With the fall in prices came necessarily increasing unemployment, accentuated by the increased wages granted in many occupations in the spring and summer months of 1920. These increases could not immediately be taken back, but they made it unprofitable