1. Acute collapse at the outbreak of the great conflict resulting in the close of the Stock Exchange. Specific causes were:

(a) The similar collapse of other exchanges closely interrelated with New York so that liquidation in London and Paris also produced liquidation here.

(b) Collapse of industry no longer required to satisfy the demands of peace times.

(c) The cutting off at a stroke of the entire foreign trade of Germany and Austria-Hungary.

2. Reopening of the Exchange followed by continued recovery culminating in a tremendous "bull" market under the leadership of the war stocks. The material conditions underlying this recovery were:

(a) Control of the seas by the Allies, placing them in a position to take delivery of purchases in this market, and

(b) Consequent readjustment of our industry to the new war consumption.

Incidentally the term war stocks does not simply mean the stocks of corporations making shells, ammunition, guns, etc. Leather, wheat, oil, etc., can be war stocks; in fact, that is what they are just now, and again they can be peace stocks at other times and under other circumstances. The term war stocks refers to a quantitative outlet based on war requirements. Thus the unlimited market for metals in war time makes them war stocks; the demand for these commodities does not cease in peace times, however, but becomes a *limited* one, as a result of which the same metals are no longer war stocks, but are then quantitatively on a peace basis. The very same is true of wheat and foodstuffs generally, etc., etc. Therefore war stocks characterize production qualitatively, but to much greater extent also, quantitatively.

Thus far the prices of stocks rise with and parellel to the advance in the prices of commodities, and are the result thereof. But from that stage onward a strange divergence enters—the prices of commodities continue to rise, but the prices of stocks stop advancing in proportion; in fact, a series of "bear" movements take place, ending in an even lower price level. All old

axioms were overthrown by this new factor, which was puzzling not merely because of its newness, but equally, because it seemed to contradict and nullify the accumulated unvarying experience of years.

The market had collapsed in 1907, but as a direct result of the cessation in the movement of merchandise, and the decline of the prices of products to their absolute minimum. The same was always true of previous crises.

None of the symptoms of the divergence in prices were understood in Wall Street. Neither the best experts nor the biggest operators offered anything like an analysis that analyzed or an explanation that explained. Of course they had to accept what they could not alter or control, meanwhile doing the best they could by watchful waiting, in the hope perhaps that the old law of parallel values might yet be rediscovered lurking about.

II. The Political Factor

It shall be the province of our further analysis to establish that the contradictory symptoms in the industrial situation, and the violation of what seemed to be permanent or inherent industrial canons are not alone explainable, but are quite adequately accounted for in every phase and detail by political factors.

All that follows, therefore, is to be based on a thorough understanding, and careful definition of the term political. As currently used, it refers to the activities and functions of government; political is the abstract reference, government the concrete manifestation.

But why is the government a concrete expression of political factors? In other words, what is the active principle of the term political? In answer, we find that the political sphere refers not to the parts, divisions or functions of society taken severally or separately, but to the whole social structure or network in its territorial extent. That is the reason why governmental activity is political in its nature, inasmuch as it covers the social and economic network of a territory and is built on, from and for a definite territorial region.