

being that both employment and national income were sustained at high levels during the transition period. Unemployment did not exceed 4 p.c. of the working force and dropped to about $1\frac{1}{2}$ p.c. in 1947, close to an irreducible minimum. At the end of 1948 Canada had 5,000,000 people in gainful employment, 700,000 more than the number of civilians gainfully employed in the peak war year of 1943 and 1,300,000 more than in 1939. Gross national product at market prices reached its wartime peak at \$11,887,000,000 in 1944. After a fall of little more than 1 p.c. to \$11,732,000,000 in 1945, it rose to \$11,863,000,000 in 1946, to \$13,375,000,000 in 1947, and is expected to be about \$15,500,000,000 in 1948.

When account is taken of rising prices since the end of hostilities, the *real* improvement in gross national product is, of course, lower than the above figures would indicate; the rise in prices was particularly rapid during 1947. If allowance is made for higher price levels and for net investment, the increase in gross national product since the pre-war period—from \$5,598,000,000 in 1939 to an approximate \$15,500,000,000 in 1948—has meant an average improvement of about 50 p.c. in the living standards of the Canadian people. This improvement resulted primarily from the fuller and more effective utilization of man-power, which in turn brought about the most rapid expansion of production experienced in any period of Canadian history for which records exist. Among the factors that contributed to the maintenance of employment and national income and to strong inflationary pressure in the post-war period were:—

An Increase in Investment in Capital Goods.—Investment in capital goods and housing, excluding outlays made directly by governments, increased from \$865,000,000 in 1945 to an estimated \$2,600,000,000 in 1948. This resulted in a heavy demand for building materials and machinery to equip plants and to erect houses and other buildings. In addition, a heavy accumulation of inventories has taken place. The factors influencing capital outlays were the current need for additional production facilities coupled with a large backlog of replacement needs, favourable market prospects, and availability of investment funds out of savings of the war period, current income, and a money market reasonably favourable to investors.

An Increase in Personal Expenditure on Goods and Services.—From \$6,945,000,000 in 1945, this expenditure rose to an estimated \$9,800,000,000 in 1948, or by more than 40 p.c. A considerable part of the increase, but by no means all, reflected rising prices. An important part of the *real* increase resulted from greater purchases of durable consumer goods such as automobiles and household equipment and furnishings. The purchasing power to make consumer demand effective came from personal savings of the war period and increasing current income from both wage-earning and non-wage-earning employment. During the post-war period, personal income has been supplemented by increased payments from governments to individuals in the form of new social security benefits and certain payments of a non-recurring nature such as veterans' grants and refunding of the compulsory savings portion of the income tax.

The Maintenance of a Large Volume of Exports of Goods and Services.—The bulk of Canadian wartime commodity exports, apart from foodstuffs and certain other unspecialized products, consisted of mass-produced war munitions and equipment no longer in demand after the end of the War. The supplying of post-war export demand involved, therefore, extensive changes in production and, in the circum-