Defence spending has not increased as rapidly as the awarding of contracts. Some contracts are speedily fulfilled, but others take a year or more to be completed. Hence it will be well into 1951 before the full physical impact of defence orders is felt. In some respects the impact already has been anticipated to a large extent. For example, world markets for commodities such as rubber, tin, wool and cotton probably reflect anticipated demand as well as present demand. Defence expenditures in 1950 accounted for about 5 p.c. of the Canadian gross national product. This proportion is expected to rise to 8 or 9 p.c. for 1951 and may be even greater in the final months of the year.

Although it was possible even well into 1951 to place defence contracts without any material expansion of industrial facilities, it became apparent at an early stage that such expansion would become necessary in many fields. It is to be expected that these investments will be privately financed for the most part. To encourage favourable decisions in cases that otherwise would be doubtful, Order in Council P.C. 816 of Feb. 13, 1951, provides for accelerated depreciation of investments for defence and related purposes where the needed facilities will have a greatly reduced peacetime value. Meanwhile considerable developments are under way in such fields as steel, copper, lead, nickel and tungsten, while a substantial expansion of aluminum capacity has been under consideration. The crude oil pipe line from Edmonton to Superior was completed in 1950, and spurs to Winnipeg and Moose Jaw are to be completed in 1951. A duplicate pipe line from Portland to Montreal is well advanced and is expected to be completed in 1951 also. Heavy investment continues in the western oil fields and in the expansion of storage and refinery capacity, and product pipe lines are projected from Sarnia and from Montreal to Toronto. The government-owned Polymer Corporation is increasing its capacity to produce synthetic rubber, the Eldorado Mining and Refining Corporation its facilities for the production of uranium, and the National Research Council is constructing a new and larger atomic pile to produce plutonium.

The building up of production facilities is one of the most important aspects of preparedness and the nation's investment program is therefore of particular concern. The volume of investment set a new record in 1950, with the value of private and public capital expenditures amounting to approximately $3,800,000. A survey of investment intentions for 1951 indicates plans totalling over $4,200,000. But it is investment of all kinds that will feel the main impact of the preparedness program, including in fact the larger units of consumer capital (such as motor-cars and household equipment, not covered in the survey). Preparedness will require pressing forward with such developments as those related to oil, metals and power and with investment necessary for defence production, but in other sectors there will have to be a substantial scaling down of programs.

The first direct moves in this direction were orders prohibiting the use of steel rolling-mill products in the construction of amusement or recreation facilities, office buildings, hotels, printing establishments, banks, personal-service establishments, retail stores, wholesale establishments for consumer goods, and other specified types of construction. The use of rolling-mill products was prohibited also in the merchandising, storage, manufacturing or processing of any liquors, spirits, beers or wines, in the manufacturing or processing of tobaccos, cigarettes, cigars, carbonated beverages or confectionery other than bakery products, and in outdoor advertising signs. The Government has given warning that further restrictions are to be expected.