

This situation was changed radically over the two years following, mainly as a result of the outbreak of hostilities in Korea. Western rearmament created heavy additional demands for many of the raw and processed materials produced in Canada and placed new urgency on the development of resources and expansion of processing facilities. Moreover, Canada's own rearmament program, besides involving the construction of military installations, called for the production of a wide variety of military supplies on a scale which, in some cases, exceeded existing plant capacity, thereby calling for large capital expenditure.

Under these additional stimuli, capital expenditure on resources development continued to rise in 1951 and 1952, while that on light manufacturing continued to fall. The rate of government investment was accelerated and the declining trend of investment in heavy manufacturing was sharply reversed. Investment declined in housing and services not immediately essential for defence. The magnitude of these changes from 1950 to 1952 are reflected in the following figures, all reduced to constant 1950 dollars.

Capital expenditure by the Federal Government departments increased from \$127,000,000 in 1950 to \$320,000,000 in 1952, a rise of 152 p.c.; that by heavy manufacturing industries rose 145 p.c. from \$262,000,000 to \$642,000,000; that for mining, quarrying and oil wells rose 47 p.c. from \$119,000,000 to \$175,000,000; and that by utilities rose 42 p.c. from \$720,000,000 to \$1,025,000,000. On the other hand, capital expenditure for trade, finance, commercial services and institutional services fell 16 p.c. from \$605,000,000 in 1950 to \$505,000,000 in 1952; that of light manufacturing fell 12 p.c. from \$179,000,000 to \$159,000,000; and that for housing fell 15 p.c. from \$845,000,000 to \$710,000,000.

These shifts in the pattern of investment were facilitated by various measures (referred to at pp.xiv-xvi), designed to discourage less essential work and to ensure the availability of resources for projects of importance in Canada's preparedness program.

*Housing.*—As indicated before, the volume of residential construction declined considerably during the period under review but was again increasing by the latter half of 1952. Completions dropped from 92,000 dwellings and conversions in 1950 to 85,000 in 1951 and to an estimated 70,000 in 1952. The decline in house building activity first became evident in June 1951, when the rate of housing starts fell below that of the same month of the previous year. The rate of starts remained relatively low until a year later when, in June 1952, it rose to a point only slightly below that of June 1950. While starts in the last half of 1952 were well above the last half of 1951, this increase came too late to be fully reflected in the number of completions in 1952.

Various factors contributed to these changes in the volume of house building including the changing circumstances with respect to the supply of mortgage funds, availability of serviced land, building costs and public attitude concerning the future availability of materials. About two out of every five houses started in recent years have been constructed with financial assistance of some kind from the Federal Government, mainly under the National Housing Act, so that changes in governmental policy had a bearing on the level of house building activity. As a part of the Government's policy to preserve national and manpower resources for essential defence purposes, regulations were introduced early in 1951 which had the effect of increasing down payments on homes financed under the National Housing Act. Beginning in June 1951, it became apparent that the economy could support