

A problem confronting business economists is to determine how much of the post-war industrial 'drive' was caused by normal growth factors and how much of it was caused by the backlog of war-accumulated demand. While it is true that the greatest demand accumulation took place in housing and consumer durables, non-durables such as textiles and clothing also started the post-war period with a sizeable backlog of unfilled demand. It is now becoming apparent, after the vigorous pace of business following the outbreak of hostilities in Korea, that a considerable portion of this demand has been satisfied and some industries, notably textiles, clothing and major appliances, are experiencing difficulties. However, general prospects appear bright. The increased productive activity which will result from the present very high level of capital investment is not as yet fully reflected in current production statistics. Huge expansion and development programs are well under way in iron ore, aluminum and other metals, oil, steel, chemicals, motor-vehicles, electric power, and in a number of other industries.

The volume of output of manufactures rose steeply after the outbreak of hostilities in 1939. Productive facilities responded quickly to the urgent requirements of the Armed Forces. In the early days of the War, production assignments allotted were comparatively simple but, as pre-war weapons became obsolete and as Canada proved capable of turning out larger and more complex equipment, the assignments constantly shifted, changed and grew more difficult. The production figures merely suggest the magnitude of the achievement. They cannot describe the tremendous effort needed to convert a semi-agricultural country into a wartime arsenal nor the complications that arose because of shortages of manpower, tools and materials.

The productive peak was reached in 1944, when weapons, supplies and equipment were rolling off the assembly lines at a record-breaking pace. The end of hostilities and the subsequent reconversion to peace-time production were attended with declines in output in 1945 and 1946. The upward trend was resumed, however, in 1947. The rate of advance slackened moderately in 1948 and 1949 but regained most of its 1947 impetus in 1950 when the renewal of hostilities in Korea resulted in heavy anticipatory buying on the part of consumers and in growing expenditures for national defence. A remarkable feature is that, in 1950, the index of the volume of manufacturing production was within 10 p.c. of the record wartime level of 242.3 established in 1944.

Non-durable Manufactures.—The trend of output in the non-durable sector of manufacturing was visibly smoother than in the durable sector. Except in two years, 1938 and 1945, there was no interruption in the upward movement of production during the period under review. Despite the fact that war contracts quickened the pace of output in some of the industries, production continued to expand after the War, although at a slower rate. Unlike durable goods, non-durable commodities are mostly consumer goods and are less influenced by sudden changes in the international situation or the capital investment programs of producers and governments. By 1950, the non-durables index of output had reached 208, the highest on record.