

important. Associated with this structural change is the greater sophistication of Canadian secondary manufacturing, turning out many highly complex and advanced products such as electronic computers, thermal turbines and generators, diesel engines and reaper-thresher combines. The structural changes in secondary manufacturing reflect the changing pattern of demand in the Canadian economy. A larger proportion of consumer expenditures is directed toward durable goods such as automobiles and appliances and a lesser proportion toward semi-durables, while capital expenditures for buildings and equipment have accounted for an increasing percentage of national income. Moreover, the remarkable technological developments in such areas as electronics and organic chemistry have also substantially influenced the growth of Canadian secondary manufacturing.

In relation to total Canadian economic activity, secondary manufacturing in Canada has grown in importance. From 1956 to 1960 this sector employed an average of 16 p.c. of the employed civilian labour force and produced almost 19 p.c. of the value of gross national production, compared with 10 p.c. and 15 p.c., respectively, for the period 1925-29. In terms of production and employment, secondary manufacturing in Canada has grown even more rapidly than that in the United States. However, despite its less rapid rate of growth, secondary manufacturing in the United States continues to be more significant to the national economy than its Canadian counterpart, accounting in 1960 for 21 p.c. of the labour force and 26 p.c. of gross national production. This difference signifies not so much that secondary manufacturing in Canada is less mature, as the presence of a number of adverse factors inherent to the Canadian economy. Perhaps the most outstanding of these is the relatively small size of the domestic market. This has limited the extent to which Canadian manufacturers could reduce costs by employing mass production techniques. In a small market, too, the production of a wide range of items is not warranted and, as a result, a substantial share of the domestic market accrues to foreign producers. In addition, production costs in Canadian secondary manufacturing have, in many lines, tended to be higher than those of foreign competitors, so that exports account for only a small portion of its total output. Thus, secondary manufacturing in Canada is oriented mainly toward the domestic market. Despite these disadvantages, it is apparent from the development of Canadian secondary manufacturing during the past three or four decades that Canada's stature as an industrial nation has been considerably enhanced.

**Production.**—From 1925 to 1929 secondary manufacturing in Canada, comprising an average of 8,935 establishments and employing 383,000 people, produced goods valued at \$1,490,000,000. After a sharp decline in the early 1930's, a strong upward trend developed with the industry averaging, over the 1956-60 period, 20,602 establishments and 928,000 employees, and turning out goods valued at \$13,200,000,000. The value of net production, i.e., the value of all goods produced minus the cost of raw materials and fuel and electricity, averaged \$885,000,000 over the years 1925-29 and increased to \$6,230,000,000 in 1956-60. This was a more rapid rate of growth than that shown for the economy as a whole as measured by gross national production. In relation to the gross national product, secondary manufacturing increased its relative position, although there has been a decline since 1950. The value of net production of secondary manufacturing accounted for an average of 18.9 p.c. of the gross national product during 1956-60 compared with 15.5 p.c. for 1925-29; the proportion in 1950 was 20.5 p.c. The relative decline since 1950 is not surprising because, as a nation develops economically, a stage is reached where a growing proportion of national expenditures is allocated to services rather than to goods. It would seem that the Canadian economy attained that particular phase of economic development during the early 1950's.

The growth of secondary manufacturing has been marked by significant changes in the importance of individual industries. The impact of the growth of the Canadian market, technological advancement, shifts in the allocation of consumer expenditures, the rapid expansion of capital expenditures and import competition has affected some industries more than others. The value of gross production of the textile, the knitting and hosiery and the clothing industries, as a proportion of total secondary manufacturing, dropped from