

The tremendous expansion in productive activity following the outbreak of World War II, when output almost doubled within a period of five years, was facilitated by the existence of a large unused labour pool at the outset of hostilities. During the war years a large proportion of resources was diverted to the war effort, resulting in the expansion of many defence-oriented industries. At the same time, shortages of consumer goods and investment goods were created in other areas while income and savings were rising. During the immediate postwar period a certain amount of industrial dislocation occurred as a result of re-tooling and a large-scale changeover to peacetime production, coupled with major labour unrest in some industries. This phase of readjustment, however, did not generally extend beyond 1946, following which production resumed its upward trend.

The postwar period was marked by three major expansions. The first was based on satisfying the backlog of war-deferred investment and consumer demand and on supplying the needs of the war-devastated countries, especially for various materials. The second was based on the requirements of defence-supporting industries following the outbreak of the Korean hostilities, and on stock-piling requirements at home and abroad. The third was the investment boom of the mid-1950's during which output reached a new high level. These strong demand influences combined to make most of the period one of fairly rapid and sustained growth. Production data reveal, however, a diminishing rate of increase during the late 1950's, as external sources of supply for many commodities multiplied and as the competition encountered by many Canadian producers intensified. At the same time, there was an absence of strong stimulants to domestic demand, such as the deferred demand and the population growth of the preceding periods. During the early 1960's, however, the first waves of the postwar generation were beginning to swell the labour force and to exercise their influence on the demand for goods and services.

Along with the increases in total final demand there were also shifts in the composition of demand, which affected the output of the various industries. Imports retained roughly the same relative share of the gross national product, while the share of exports declined from 26.4 p.c. in 1935 to 20.4 p.c. in 1962, an indication of the growing importance of the domestic market as an outlet for the products of Canadian industry. Government expenditure and business gross fixed capital formation made considerable relative gains but personal expenditure on goods and services, as a percentage of total expenditure, declined from 77.4 p.c. in 1935 to 63.7 p.c. in 1962.

Even more remarkable than some of the demand-induced changes were the striking changes brought about by the technological discoveries and innovations that have transformed whole production processes and opened up hitherto unknown areas in the fields of manufacturing, transportation and communication. Newer industries, such as air transport, have assumed major importance in a comparatively short time; entirely new industries, such as gas pipelines, have appeared; and a profusion of new products have been created, such as the petrochemicals of the chemicals industry and the television and other electronics products of the telecommunication equipment industry. As was to be expected, the industries in a position to benefit from such innovations were among the most rapidly expanding in the economy, although the impact of the expansion spread through the entire economic system. The changes in production and demand also influenced the level of employment in the various industries; there was a considerable shift in employment during the postwar period from the goods-producing to the service-producing industries and most of the loss in the former took place in agriculture. From 1946 to 1962, agriculture decreased its share of total employment by 15 p.c., while total employment continued to expand. In the same period the service-producing industries increased their share from 39 p.c. to just over 53 p.c. of the total.