



THE ROYAL BANK OF CANADA

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(This is the second of two articles telling about Canada's resources, development and possibilities).

GREATEST expansion in farming occurred during the war of 1914-18, when the area under cultivation increased by 18 million acres. The Canadian economy changed from one of foreign investment, building railroads, cities and farm dwellings, and opening up virgin territory, to one of production for export, making Canada much more vulnerable to world conditions. In this war, measures were adopted to allow agriculture to recover the standing it lost in depression years. Farm prices increased 60 per cent from 1939 to 1944, and at the same time farmers raised their output between 40 and 50 per cent. As a result of higher prices and increased production, the gross cash income has just about doubled since 1939, and the relation between farm prices, cost of living and other prices is not far from that of the relatively prosperous period 1926 to 1929. At the 1944 session of parliament, several measures which will be of benefit to farmers in the post-war reconstruction period were placed upon the statute books. The farm improvement loans act guarantees farm improvement and development loans made by banks, including loans for implements, livestock and electric systems. The agricultural prices support act establishes a board with powers to purchase agricultural products and dispose of them at regulated prices.

Forests are of tremendous importance to Canada, only two other countries, Brazil and Russia, having larger forested areas. Productive forests cover 770,000 sq. miles, and can provide continuous crops of useful timber. By far the larger world demand for wood is for softwood, of which Canada possesses the principal reserves within the British Empire. Canada is the largest newsprint producer in the world, with a mill capacity four times that of any other country, equal to the combined mill capacities of the United States, Great Britain, Norway, Sweden and Finland. In production of wood pulp, Canada ranks second only to the United States. Besides being Canada's largest manufacturing industry, with 105 active mills, the pulp and paper industry is one of the greatest enterprises in the world. Its capital at the outbreak of war was about triple the next ranking manufacturing business in Canada, and many thousands of share-

holders owned the \$655 million invested in 1942. The census recorded 38,000 workers in mills and another 100,000 or more engaged in woods operations. At least a half million people draw their livelihood from the pulp and paper industry, including woods operations.

Mining is playing an increasingly important part in the economic life of Canada. Prospecting for gold was stimulated by the increase in price of \$17.83 per fine ounce since 1933, and this increase also enabled mines to work ore that was hitherto unprofitable. Development of mining has opened up new territories, built communities, and provided markets for consumer goods and mine supplies. Canada produces 95 per cent of the nickel output of the United Nations, 20 per cent of the zinc, 12½ per cent of the copper, 15 per cent of the lead, 75 per cent of the asbestos, and 20 per cent of the mercury. When war broke out the mining industry was in very strong position to make a substantial contribution to the war effort. Since then it has expanded and developed to produce at reasonable cost the minerals necessary for the manufacture of armaments, munitions and other war supplies. Its gold and silver production helped mightily in the creation of foreign credits. At the outbreak of war Canada stood second among the countries of the world in gold mining, with 12.8 per cent of the total world production. From a mere \$10 million in 1886, the value of minerals rose to \$524½ million in 1943, the value per capita being \$2.23 and \$44.40 respectively. Today, Canada has changed from an exporter of ores or semi-finished mine products to the position where smelting and refining operations are completed within her borders, and tomorrow will see still greater advances.

Canada has probably the largest fishing grounds in the world, and in the latest year recorded the value of fishery products was \$75 million, with 60,000 persons employed. The Atlantic coastline measures over 5,000 miles, the Bay of Fundy has 8,000 square miles, the Gulf of St. Lawrence ten times that area, and, adding them all together the Atlantic fisheries comprise not less than 200,000 square miles, or four-fifths the area of the fishing grounds of the North Atlantic. In addition, there are on the Atlantic seaboard 15,000 square miles of inshore waters controlled entirely by the Dominion. The Pacific coast of Canada measures

7,180 miles. Inland lakes contain more than half of the fresh water on the planet . . . Canada's share of the Great Lakes alone has an area of more than 34,000 square miles. The fish caught for food embrace 60 kinds, chief being salmon, herring, cod, lobster, whitefish, halibut, haddock, pickerel and trout. A fisheries prices support act has been passed by parliament, with objects similar to those of the agricultural prices support act.

Fur farming represents an investment of \$40 million, and the value of raw fur production in 1943 was \$28 million, establishing a new record 11 per cent ahead of 1942. This includes the product of fur farms; which now supply nearly all the silver fox and about 44 per cent of the mink pelts.

Manufacturing has been expanded to a much greater extent than in the first world war, to meet the needs of the fighting fronts. In the first war, factories were largely confined to simple types of production and assembly, but this war has brought about a real growth in industrial potential. Canada is almost self-contained, from raw material to finished products, and will emerge from the war with much the same kind of plant and products as other highly developed nations possess. Just by way of providing background, here is a comparison of industry three years after Confederation and in 1942:

Year	Capital	Employees	Wages	Gross Value of Products
1870	\$78,000,000	188,000	\$41,000,000	\$222,000,000
1942	\$5,500,000,000	1,150,000	\$1,683,000,000	\$7,554,000,000

In 1943, for which the other data are not yet available, the gross value of products in the manufacturing industries was \$8,393 million. Industrial capacity is now about three times what it was when hostilities broke out, but all of this increase is not due entirely to war. The trend toward industrial maturity has been constant. Canada has encouraged manufacturers from other lands to establish branch plants here, and invest their money in Dominion enterprise. It is difficult, looking over the industrial field today, to tell that many of these plants have or ever had any foreign connection, so thoroughly have they become identified with the Canadian scene. All, indigenous and imported, have risen to the great opportunities held out by this country both in itself and as the senior dominion in the British Commonwealth of Nations.

Only a quick glance can be given of individual industries. The following tabulation shows the gross value of products of the principal groups in 1942, in millions of dollars:

Vegetable products..	966	Iron and products..	2,113
Animal products....	861	Metallic mineral	
Textiles.....	793	products.....	358
Wood and paper ...	962	Chemicals and	
Non-ferrous metal		products.....	502
products.....	902	Miscellaneous.....	97

Production of machine tools has increased 500 per cent since the war started; production of motor vehicles, excluding tanks, has risen from 137,000 units

to 231,000; airplanes from 252 to 4,160; cargo vessels from none in 1939 to 218 in 1943; and escort vessels from none to 204. Aluminum, recently removed from the list of war essentials, increased in capacity from 100 million pounds a year to a billion pounds a year, and peak output exceeded the entire 1939 world production, providing the equivalent of 40 per cent of the United Nations' war requirements. Normal peacetime use of aluminum in Canada was only 18 million pounds a year. Steel production has doubled, so that Canada became the fourth greatest steel producer in the United Nations. The textile industry, live, efficient and well-established, plunged into war production without even waiting for formal orders, and has achieved mightily in outfitting Canadian and allied armed forces. There are 2,000 units, located in 186 villages and towns scattered through all provinces, employing 150,000 people in the processing of cotton, wool, rayon, and nylon. The construction industry has been working to capacity during the war years on government buildings, airports for the Empire Air Training Plan, and emergency housing for industrial workers. The value of work performed in 1942 was \$636 million, practically the same as in the preceding year; materials used cost \$325 million; and the salaries and wages bill was \$262 million. To provide for maintenance of employment in the building industry after the war, a housing act was passed by parliament making available through established lending institutions funds for the erection and repair of dwellings, slum clearance, and technical research in housing projects. Companies in the iron and steel fabricating industries have announced their intention to spend \$90 million during the first three post-war years; vegetable products industries will spend \$66 million; animal products industries \$25 million. The outlook of Canadian industry is hopeful, and industry as a whole has never been better prepared or more enthusiastic in face of the challenge of the future.

Canada is particularly blessed in having an abundance of readily-available water power. The country's total hydraulic development is over 10 million horsepower, making Canada the second nation in the world in this respect. In the 12 months ended August, electric power generated totalled 40,802 million kwh.

Our wartime transportation job has been phenomenal. Car loadings were up 59 per cent in 1943 over 1939, transit passengers up 90 per cent, bus passengers up 37 per cent, and air passengers up 95 per cent. All of this grew out of the work of pioneers who faced the need for transport in an exceedingly difficult terrain. The railways that opened up the vast hinterland were laid through trackless wilderness, over tundra and through mountain passes. Men of vision and daring created in Canada the world's greatest air freight business. Canals opened up nearly 2,000 miles of waterways, and provided cheap transportation for bulky and heavy freight, for wheat, iron ore and hundreds of products of the east and west. When sails were furled as steam usurped the world's waterways, it was Canada which built the first vessel to cross the Atlantic wholly under steam power.

Railway construction began in 1835 with a little 16-mile link between Laprairie and St. Johns, Quebec, but the first great period of building was in the 1850's, when the Grand Trunk and the Great Western thrust their tracks westward. The Intercolonial and the Canadian Pacific contributed to another period of rapid expansion in the 70's and 80's. Between 1900 and 1917 the Grand Trunk Pacific, the National Transcontinental and the Canadian Northern were built. Today Canada has 42,400 miles of track. Only the United States and Russia have longer mileages in operation.

All the history and development of Canada add up to a big post-war problem, because all have led to great and ever increasing dependence upon foreign trade. It is being recognized generally that post-war markets will not be handed to Canada, but will have to be worked for. This Dominion is emerging as one of the important surplus-producing nations, and will be, after the war, one of the three or four creditor countries. Out of a total of \$9 billion of war goods which Canada produced from the beginning of the war up to the end of 1944, between \$6 and \$7 billion has been made available for the use of other United Nations. In fact, with only about one-half of one per cent of the world's population, Canada has stepped into third place among trading nations, with a combined import-export business in the 12 months ended in September of \$5,200 million. Exports are currently well over the \$3 billion a year mark, compared with \$1¼ billion before the war at comparable price levels.

Significant in these statistics is the fact that the proportion of goods fully or chiefly manufactured is showing a great increase over raw materials decade by decade. Here is a comparison of exports of Canadian produce in 1943 and 1914:

	<u>1943</u>	<u>1914</u>
	per cent	
Raw materials.....	18.18	51.
Partially manufactured.....	16.36	16.
Fully or chiefly manufactured..	65.46	33.

It is evident that Canada cannot, with this development of industry, depend upon export of wheat and other natural products, nor dare she drift into peace without doing something about the tremendous problem of replacing 80 per cent of her present exports, which are of purely war-needed goods, with products that will be required by foreign countries in peace. The obvious course is to develop consumer goods for both the domestic and export markets, but this is just what other nations will be doing. It will take countries such as China, India, the South American Republics, and the Balkans, some time to build up their own consumer goods industries, and the Canadian export policy should be so shaped as to meet both the demand for consumer goods in the interim, and the requirements of the foreign countries for machinery and equipment.

Writing of this problem recently, Major A. R. Lawrence of Montreal declared: "Canada can compete in certain lines if our industrial export policy is one which directs us toward the selection of particular

lines, best adapted to meet the export demand, but we must know what these particular lines are, and it will be necessary for us to gather a great deal of data. Production for the domestic market, including as it will an increased demand for consumer goods, consumer durable goods and some producer goods, will not be sufficient to provide full employment in Canada. Neither will the production of raw materials or consumer goods for export take up the slack in the labour made available after the war. Maximum employment in Canada was only reached because of our \$3 billion export trade, a large part of which is due to the doubling of our machine tool capacity. In the post-war period we cannot expect to approach full employment unless these machine tools are used to create, not only consumer goods, but the machines which other nations will require to produce consumer goods." If Canada could in this way assist other countries to become established or re-established, two notable contributions would be made to her own re-orientation: these countries would become customers, because the great trading is not between a developed and an undeveloped nation, but between progressive nations; and the immediate demand upon Canadian factories would tide the country over the worst of the reconstruction period.

It has taken countless generations to learn that men cannot shirk world politics and at the same time enjoy private freedom. After flying around the world on a trip of 31,000 miles, the late Wendell Willkie wrote: "There are no distant points in the world any longer. I learned by this trip that the myriad millions of human beings in the Far East are as close to us as Los Angeles is to New York by the fastest trains. Our thinking in the future must be world-wide." The Royal Commission on Dominion-Provincial relations declared that it is only by a role in international business that Canada can maintain anything near her present standard of living, and support the great capital investment which has been made to equip her for this role. The sharp fall in export prices during the depression brought the truth of its world-wide dependence home to Canada.

Some there may be who fall back upon the trust that Anglo-American sea and air power in the post-war world will ensure the security of North America, but most people are awakening to the fact that co-operation is a matter of give as well as take, that benefits must be earned by the contribution of a fair share toward the maintenance of world stability. It is true that Canadian life is closely tied in with that of the United States. Before the war, when 40 per cent of our exports went there, and 60 per cent of our imports came from there, and hundreds of thousands of persons of both nationalities crossed and recrossed the undefended border, these countries were united in a friendship which has stood firm through war and will continue to knit their destinies in peace. But since the battle of the Plains of Abraham Canada has been a member of the British Empire, and has developed in security and with affectionate help and encouragement into complete independence. Such as these are ties that cannot be severed.

That Canada is realizing her key position between the two great democracies, and her relationship with the rest of the world, is evidenced by her growing participation in world affairs. In 1919 she became a member of the League of Nations, and took part actively in the International Labour Office and on committees which did a great deal of practical work. The office of the I.L.O. is now in Montreal. In this war Canada became one of the initial signers of the declaration which united many nations in support of the Atlantic Charter. She joined in the declaration on the punishment of war criminals, in the wheat agreement pledging mutual co-operation with other leading wheat producing countries, and she is a member of the Pacific Council, the United Nations Information Office, and the United Nations Interim Commission on Food and Agriculture, of which a Canadian was appointed head. Canada is the only country in the world to share membership with the United States and the United Kingdom on two of the most important combined boards allocating the output and distribution of war supplies, shipping, foods and raw materials. A Canadian is permanent head of the UNRRA Supplies Committee, and a Canadian was named chairman of the Council when it convened in Montreal. Canadian experts produced a compromise monetary stabilization plan to strike a balance between the British and United States positions, and at the end of the Bretton Woods conference it was seen that at least four or five of the propositions laid down by Canada had been followed in the proposed plan. Canada is taking a leading part in the parleys on post-war aviation, and last March she produced her own draft convention with a suggested set of rules for governing aviation in the peace-time world. In this Canada has a special interest, because nearly all great-circle inter-continental air routes of importance would pass over or near her vast territory. The recent Chicago conference named Canada among the "big seven" in post-war aviation.

Canada has, in one splendid way, demonstrated her right to stand beside the great free nations of the world. She has converted her peace-time economy to a concentrated, wartime footing that has placed her fourth in air power among the United Nations, third in sea power, and fourth in providing supplies. More than a million men and women have joined her armed forces. Her sailors, soldiers and airmen are young . . . 65 per cent of the men overseas are in the

18 to 27 age group, and 85 per cent of them left jobs, and 3 per cent of them left school, to volunteer for fighting duty. Canadian airmen are fighting in the skies over every theatre of war, not only in their own squadrons, but in those of Britain. Canadians comprise 25 per cent of all air crew under Royal Air Force command in Europe and the Mediterranean. Canadian fighting ships and seamen sail every ocean. The Canadian Navy, which has grown from 15 ships to over 700, last year provided half the Atlantic convoy protection, and is now doing all of it. Canadian soldiers were at Hong Kong on Pearl Harbour day; they carried out the great raid on Dieppe which provided the lessons for D-day; they were with the first landings on Sicily, Italy, France and Kiska.

At home, there are more than 1 million people engaged in direct and indirect war employment, and of these about 800,000 are manufacturing war equipment. Food shipped from Canada to Great Britain last year was 215 per cent of the 1939 total, to Africa and Asia 569 per cent, and to the United States 259 per cent. Canada has paid cash for all she has bought from the United States since war began in 1939, and has taken no Lend-Lease. In fact, Canada has given to other nations under her own version of Lend-Lease, nearly \$4 billion worth of goods, greater proportionately than any other nation.

That is Canada. In population, she is a small nation; in territory, she is vast; in natural resources and industrial development she is next to the United Kingdom, the United States and the U.S.S.R. This is made possible by the energy, mechanical gifts, intelligence and initiative of her people. Her days of technological development and economic expansion have only just begun. She is rich and has a will-to-win. She is eager to live at peace and in friendship with all the world, and to contribute her part to the developing happiness of mankind.

Most of the statistical information in this article is from the Canada Year Book and other government publications.

Previous articles have dealt in some detail with separate facets of the Canadian economy. Copies of the following Monthly Letters will be gladly supplied by any branch of The Royal Bank of Canada:

Population	Agriculture	Industrial Research
Forests	Canada's Northland	Housing
National Income	Foreign Trade	Canada and the Empire

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