

While all these considerations explain in part our industrial Canada of some 30,000 plants today, there is another development of significance. Output per man hour - labour productivity - has increased during the post-war years. Since the war ended, both management and labour have become conscious of the fact that if our standard of living is to be maintained and improved, there must be an increase in labour productivity. Although statistics are lacking, there is every indication that the loss in productivity per man hour during the war years not only has been regained, but has been greatly exceeded. This is true in the United States as in Canada.

The Government's policy toward Canadian industry was set out in the White Paper on Employment and Income, which was placed before Parliament in April, 1945. In it, "the Government has stated unequivocally its adoption of a high level of employment and income, as a major aim of Government policy". The White Paper also goes on to say that the Government, in its relations with the business community, "will make every effort to create by all its policies favourable conditions within which initiative, experience and resourcefulness of private business can contribute to the expansion of business and employment".

In line with this policy, ways and means were adopted to encourage and speed up the conversion, modernization and development of domestic industry. Among the measures taken were the rapid closing-out of war contracts; the disposal of Government-owned materials, plant and equipment; the winding up of Government-owned projects; fiscal encouragement to new companies through partly exempting them from the Excess Profits Tax; provisions that business may average profits for taxation purposes, and special depreciation allowances on new investment. These specific measures were supplemented by broader policies designed to assist in reconversion of war industries, such as extension of credits to our foreign customers to aid in their recovery as well as to maintain Canadian markets. As a result of these policies, the reconversion period ended with the year 1947 and since then, business has been carrying on without loss of momentum.

Our prosperity in Canada and our economic welfare depend upon conditions existing both in the United States and in the United Kingdom. These two countries take 70 per cent of our exports and supply 80 per cent of our imports. We could not isolate ourselves successfully from either one of them, even if this seemed desirable. Our commercial destiny is closely linked with both. This relationship is by no means a one-way street. The Canadian market is one of the largest import markets in the world, and Canada is the largest and most important customer for both the United States and the United Kingdom.

Thus we stand with one foot in the sterling area and the other foot in the dollar area. In our own interest, and apart altogether from political considerations, we must try to prevent these two great trading areas being divided into two separate and divergent groups. It must be our policy to keep the channels of finance and trade open between the sterling area and the dollar area. Our difficulty at the moment is to bring the trade of Canada with its two principal customers into balance.

In the year that ended on September 1st last, we sold to the United Kingdom goods to the value of about 700 million dollars, and imported from the United Kingdom goods to a value of 325 million dollars. In the same year, we sold to the United States goods to the value of one billion 550 million dollars, and we imported from the United States goods to the value of about two billion dollars. Our excess of exports to the United Kingdom was paid for in part by a Canadian loan, and in part by Marshall Plan dollars allocated to the United Kingdom. Obviously, our policy must be to increase our imports from the United Kingdom in order to bring about a better balance between exports and imports.