

Immigrants and Canada's Economic Expansion¹

by

David C. CORBETT,

*Associate Professor of Political Science,
University of British Columbia*

Canada's immigration record since the Second World War is well known: about one-and-a-half million immigrants have been admitted to the country since 1945, as compared with a total population of something over 16 million at the beginning of 1957. This high intake has coincided with a period of heavy foreign investment and rapid economic expansion, when new industries have created a strong demand for manpower. In the present article Mr. Corbett shows how immigration and the industrial distribution of immigrants have been affected by this expansion and examines the question whether economic development, and hence immigration, can be expected to continue unabated. He concludes that the Canadian economy, made up as it is of a sound combination of primary, secondary and tertiary industry, holds out every hope that progress will be maintained.

TWO outstanding developments in the Canadian economy in the 1950s have been rapid capital investment and increasing interdependence with the United States. These two trends are connected. Investment has been rapid in industries, such as forest products and minerals, which export large parts of their output to the United States. Development has also been rapid in manufacturing, over 40 per cent. of which is controlled by American investors. A growing proportion of the capital for expansion has come from the United States.

The purpose of this article is to show how the economic absorption of immigrants in Canada has been affected by these two

¹ I am indebted to Ruth Dedman of the Department of Demography, Australian National University, for assistance with calculations and statistics. I also wish to thank the Canadian Institute of International Affairs for a grant in aid of research on immigration policy.

trends ; to explain the industrial distribution of immigrant workers in the expanding Canadian economy ; and to speculate on future problems and possibilities in the economic absorption of immigrants. Incidental references will be made to Australia's experience with post-war immigrants. The similarities and contrasts shed light on Canada's experience.

A study such as this must be based on limited information. In Canada no official records of the employment history of immigrants are kept. Immigrants come and go as they please, and are not required to ask officials for permission, or to notify their movements or changes of job. Not even the first jobs immigrants take after arrival are recorded, except for the small number of immigrants who accept loans for their passage to Canada or are sponsored by an employer. There are only two kinds of published information about immigrants' occupations ; first the occupational intentions of the immigrants when they arrive (and it is notorious that these intentions are subject to change) ; and secondly the decennial censuses, which fill in some of the gaps in our knowledge of both immigrant and native-born workers. It is a minor by-product of the absence of regimentation in Canada that little is known of the immigrants' place in the economy. By contrast, the movements of money and goods across our international boundaries are well documented and the Dominion Bureau of Statistics publishes frequent and detailed studies of them. One other source of information about employment in Canada is the monthly labour force surveys. These tell us something about the growth of employment by industries and areas, and about unemployment, but do not distinguish between immigrant and native workers.

There is tremendous scope for research, not only on census materials concerning immigrants but also using sample survey methods, questionnaires and interviews, and going directly into the field to study the occupational adjustment of immigrants, their employment histories, levels of earnings, lengths of service in each job, frequency of and reasons for job changes, and opinions and attitudes of employers and fellow workers toward them. One can hardly be satisfied with the state of the social sciences in Canada until questions such as these, with all their implications for human welfare and for governmental and business policy, receive attention. It is an unfortunate commentary that so much should be known about commodities and so little about people.

In Australia, by contrast, it is much more possible to study the movement of migrants. Again the census is the basic source of information, and from the point of view of studying post-war immigrants Australia is lucky that censuses were taken in 1949 and again in 1954, compared with Canada's census years 1941 and

1951.¹ Secondly, compared with Canada, a higher proportion of Australia's immigrants are assisted with passage money on condition that they accept prescribed employment. Therefore Australia has more control over, and more information about, immigrants' employment than Canada.² Thirdly, in Australia every alien (i.e. non-British) immigrant has an alien registration card. About two-thirds of Australia's post-war permanent migrants are non-British. A duplicate of the alien registration card is on file with the Commonwealth Migration Officer in the state where the alien lives. The alien is supposed to notify the officer of any change in his employment or change of address. The files in the Commonwealth Migration Office are therefore a mine of information for the research worker tracing the employment history of immigrants. Fourthly, and this is a big difference, Australia has had, for the last eight years, a team of independent research workers in the Department of Demography of the Australian National University, keeping close watch on developments in the immigration field. Unfortunately very little comparable work has been done in Canada. Canada needs to develop a more organised form of non-governmental research into immigration if we are to know anything about this most exciting subject. What, after all, can be of more significance for social science in Canada than the growth of our population from diverse sources, with its effects on the nation's culture, politics, economy and international position?

Investment in Canada in the 1950s has risen from a rate of about one-fifth of the gross national product to one-quarter. This is one of the highest rates in the world, and far ahead of the United States rate of less than one-sixth of gross national product. However, the high rates of investment have not necessitated any tightening of the consumer's belt. Expenditures per head on consumer goods and services have been going up by more than enough to compensate for the rise in prices, so that real gains have been made in average standards of living. The expansion of both investment and consumption has been possible because of rapid growth of the real national income. Most of the capital investment has been paid for out of Canadian savings. However, in the last few years savings have not grown fast enough to keep

¹ A very limited form of census was taken in Canada in 1956. It was a population count by age and sex, including questions about sizes of households and about agricultural employment.

² In Canada only 4 per cent. of immigrants were assisted with government passage-money loans from 1951 (when passage loans began) till the end of 1955. These assisted immigrants agreed to remain for a year in the employment to which they were assigned.

up with investment, which has been drawing on increasing amounts of foreign capital. The statistics for 1950 and 1956 shown in table I demonstrate these points.

TABLE I. EXPANSION OF THE CANADIAN ECONOMY, 1950 TO 1956

Item and unit	1950	1956
<i>(Thousand million current dollars)</i>		
1. Gross national product	18.2	29.9
2. Total private and public investment	3.8	7.9
3. National saving	3.8	6.1
<i>(Thousand million constant (1949) dollars)</i>		
4. Gross national expenditure	17.3	23.2
5. Personal expenditure on consumer goods and services	11.6	15.5
<i>(Millions of persons)</i>		
6. Population	13.7	16.1
7. Labour force	5.1	5.7

Source : Publications of the Dominion Bureau of Statistics

As will be seen from lines 5 and 6 of the table the population of Canada increased less rapidly than did the total spent on consumer goods and services, when the latter is adjusted for changes in the level of prices. A simple calculation shows the improvement in average standards of living to have been approximately 14 per cent. in six years, or slightly over 2 per cent. a year. Meanwhile the labour force has been growing much more slowly than the population as a whole. There were relatively few births during the depression of the 1930s, and that generation is now in the labour force. There were high birth rates in the 1940s and 1950s and the large number of children in the population temporarily increases the proportion of dependants to workers.

Taken all together, this means that a relatively small number of workers have been able to produce a rising standard of living for a rapidly growing population. The increase in average real output per worker was 20 per cent. in six years, or about 3 per cent. per year. Hours of work have continued to decrease. This amazing growth in productivity in the economy is largely the result of earlier high rates of capital investment, rapid technological change, and the discovery of rich new resources. These, together with the skill and efficiency of management and labour, have expanded the Canadian economy at a prodigious rate. This is obvious to any visitor, who immediately sees huge new office buildings and fac-

tories, streets crowded with new cars, whole new suburbs and cities of new housing, and a generally high level of family spending on clothing, food and entertainment.

How do immigrant workers fit into this picture? Over a million immigrants were admitted to Canada in the seven years from 1950 to 1956 inclusive. For the 12 post-war years the total is approximately a million and a half. Natural increase contributed almost three times as much as net migration to the growth of Canada's population in the seven years since 1950 (see table II). However, among the immigrants admitted 54.5 per cent. were workers and only 45.5 per cent. dependants. By comparison, in the Canadian population as a whole in 1956 only 35.5 per cent. were in the labour force and the remaining 64.5 per cent. were dependants. Between 1950 and 1956 the Canadian labour force grew by only 600,000 persons (approximately), owing to the low birth rates in the 1930s. If we estimate that three-quarters of the immigrant workers who came to Canada in the years 1950 to 1956 remained in Canada and in the labour force, we see that the immigrants added about 420,000 to the labour force. In other words, more than two-thirds of the growth of the labour force has been due to immigration.

TABLE II. CANADA'S POPULATION RECORD, 1950-56

(Thousands)

Population, January 1950 ¹	13,602
Births	2,900
Deaths	— 887
	2,013
Immigration	1,031
Returning Canadians	+ 35
	1,066
Emigration (residual)	— 337
	729
Population January, 1957 ¹	16,344

The immigrants of the 1950s include a high proportion of young male workers and they have come at a time when Canada has needed them both because there has been much work to do and because we have been short of young native-born workers. Among the immigrants entering Canada in 1956, 60 per cent. of the males were in the age group 20 to 39. By contrast, only 28.8 per cent. of the Canadian male population as a whole was in this age bracket.²

There are fewer women than men among the immigrants. In

¹ Based on intercensal estimates.

² The figure for Canadian male population is for 1955, and is taken from Royal Commission on Canada's Economic Prospects: *Preliminary Report, December 1956* (Ottawa, Queen's Printer, 1956).

1956 the ratio was 84 females per 100 males.¹ When young men come out to a new country alone, many later send for their fiancées from their home countries. Some find a wife among the young girls of their nationality in Canada ; or go back to find a wife in their native land and then return to Canada ; or marry a girl of another ethnic origin, most likely Canadian-born. Probably only a few of them remain bachelors, but how soon they can afford to marry and whom they are most likely to choose we do not know because no studies have been made of the subject. Yet it is a most important aspect of social life in present-day Canada.

The first problem the immigrant has to face in his new country is getting a job. Some immigrants are chosen because they have a skill in great demand in Canada, and move straight into a waiting vacancy. For example, machine technicians and engineers have found plenty of jobs to choose from. Farm labourers, on the other hand, have been encouraged to come but have frequently found the work too hard, too lonely, badly paid or unattractive compared with jobs in the towns or in the work camps of the mining or construction industries. Canadians are rapidly moving out of farm work because machines have been replacing manpower on the farms, and high wages attract farmers to the cities. Between 1946 and 1955 the number employed in agriculture declined by 30 per cent. from 1,186,000 to 817,000.² Yet in spite of this many farmers and farm labourers have been selected as immigrants. This may be partly because the Government finds it politically easy to bring farm-hands in, since there is no organised trade union opposing it and there is strong support from farm owners. A few of the immigrant farmers have actually found work in Canadian agriculture and settled down on the land. Most notable among these are the Dutch farm families. According to Professor William Petersen, "except for the war brides, who constituted a large majority of Dutch immigrants in 1946 and an appreciable percentage in 1947, between two-thirds and four-fifths of the [Dutch] migrants have been agriculturists and their families. . . . Most [Dutch] immigrant farmers have been remarkably successful."³

¹ This is a more evenly balanced sex ratio than for Australia's post-war immigration. Australia took in 76 women per 100 men in 1956, and in some post-war years an even lower ratio. For a discussion of social and economic issues involved in an "unbalanced" migration see W. D. BORRIE : "Should Immigration Policy Be Directed Primarily to Obtaining a High Ratio of Workers for Industry or Should It Be Directed to Family Migration ?", Address to Australian Citizenship Convention, 1956 (Canberra, Department of Immigration, 1956).

² *Preliminary Report* . . . , op. cit.

³ W. A. PETERSEN : *Planned Migration ; The Social Determinants of the Dutch-Canadian Movement*. University of California Publications in Sociology and Social Institutions, Vol. 2 (Berkeley and Los Angeles, University of California Press, 1955).

They have succeeded in intensive farming, dairying and vegetable growing near the cities, because of their skill and care in this kind of farming. Few Canadian farmers are as well trained or as patient. But, apart from the Dutch and a few others, immigrant farm workers have generally joined the drift to the cities. When the 1951 census was taken it was found that only a third of the post-war immigrants who had entered the country intending to be agriculturists were still employed in farming. Recognising the inevitable, in the past three years the Government has been admitting fewer farmers and farm labourers. In 1956, for example, only 7,500 were farmers or farm-hands out of the 91,000 immigrant workers admitted. We have reached the end of a long era, beginning before 1900, when immigration policy was meant to fill up empty rural spaces. Canada has long since become an industrial nation; over 60 per cent. of the population is urban; and the expanding industries now are manufacturing, construction, forest products and minerals.

One would expect immigrants to be numerous in the rapidly growing industries. After all, the immigrants include a high proportion of young men, freer than the rest of the population to move from job to job according to the demand for labour. Growing industries, on the look-out for manpower in a fully employed economy, might be expected to snap up immigrant workers. Government policy might be expected to provide immigrants as recruits for the industries undergoing expansion. Oddly enough, this theory does not really describe or explain the industrial distribution of Canada's post-war immigrants.

There are of course conspicuous cases where immigrants are found concentrated on an expanding industrial frontier. At Kitimat on the coast of British Columbia, miles from any settlement, hydro-electric generators and aluminium smelters have been built and a town of 15,000 people has come into existence since 1951. A large part of the work force of Kitimat has consisted of immigrants. However, Kitimat is not the truly typical case. Far more of the immigrants of the 1950s are to be found in the long-settled industrial heartland of Canada, the region extending east and west of Toronto for 300 miles. Over half of the immigrants of the 1950s have given Ontario as their intended destination, and half of these again have been bound for the Toronto area.

The 1951 census shows the industrial distribution of the labour force and of the foreign-born workers in Canada, classifying the foreign-born by periods of arrival in Canada. It is therefore possible to see which industries the immigrants who arrived from 1946 to 1951 entered, and to compare their distribution among industries

with the distribution of the labour force as a whole. Post-war immigrant workers constituted 3.5 per cent. of the whole labour force in 1951, but in the clothing industry, to take one extreme, the post-war immigrants constituted 9.6 per cent. of the labour force, whereas in government service they constituted only 1.3 per cent. of the labour force. Variations such as these are significant and ought to be explained if we are to understand the economic absorption of immigrants.

What are the common characteristics of the industries in which there is a high concentration of immigrants, and what are the common characteristics of those with a low concentration? Do immigrants move into the rapidly expanding industries? To answer this question the proportion of immigrants employed by industrial groups in 1951 can be compared with the expansion in employment for the same industrial groups in the period 1946-51. According to the common theory there ought to be a strong correlation between high concentration of immigrants and high rate of growth of employment in the industry. Similarly, slowly growing or declining industries ought to show up as having relatively low concentrations of immigrants.

In fact no such pattern shows up. There is no consistent relationship between the rate of growth of an industry and its tendency to attract immigrants. For example, wholesale and retail trade, finance, insurance and real estate, printing and publishing, and coal and petroleum had higher-than-average rates of growth, but lower-than-average numbers of immigrants employed in them. There are also several industry groups with high proportions of immigrants, but very slow rates of growth, for example leather products and clothing. On the other hand there are some industries which fit the theory, i.e. industries which grew more rapidly than the average and also employed more immigrants than the average. These include the construction industry, the electrical apparatus and supplies industry, non-metallic mineral products, and a residual category called "miscellaneous manufacturing". There are also industries which lagged behind the average rate of growth and attracted a smaller-than-average share of immigrants. These include service industries (an ill-assorted composite of community service, government service, recreation, "business service" and personal service); transportation, storage and communications; forestry and logging and agriculture (in which there was an actual decline in total employment).

To summarise this point, there are some industries in which a high rate of growth coincides with a high ratio of immigrant employees, but there are also a number of industries in which this does not apply and the reverse is true. We cannot say, therefore,

that the rate of growth of an industry is an adequate explanation of its tendency to attract or to exclude immigrant workers.

Low wages in an industry are often thought to be a sure sign that immigrant workers are employed in it. Two reasons are usually given for this: first that Canadian labour refuses to work for the wages offered and moves off into better-paid industries; secondly, that immigrants, being unable for various reasons to get into some industries, crowd into others, compete with each other and with Canadian labour, and drive the wages down. This may be true in certain industries, but an analysis of 1951 census figures fails to support any generalisation of this sort. The proportion of immigrants employed by industry groups in 1951 was compared with average weekly wages and salaries in these industry groups in 1951. The result is the same as in the previous case: there is no consistent relationship. There are high-paid and low-paid industries with concentrations of immigrant workers, and high-paid and low-paid industries with relatively few immigrants employed. For example, the paper products industry pays high wages and employs few immigrants, but on the other hand mining, quarrying and oil wells pay high wages and employ a higher-than-average proportion of immigrants. At the low end of the wage scale are found the clothing industry with a high proportion of immigrants and wholesale and retail trade with a low proportion of immigrants. In other words, low-wage industries are not necessarily the ones with large numbers of immigrant employees.

No simple general rule seems to explain why immigrants go into some industries and not others. Wages or rapid growth may be the explanation in some industries, but in others we have to look beyond the statistics and consider such points as the following:

(1) Restrictions on entry. Government service, for example, has the lowest ratio of immigrants of any industrial group, for the obvious reason that Canadian citizenship is required in many fields of government employment.

(2) Unpleasant working conditions. The high proportion of immigrants in mining and quarrying suggests that even with good wages, Canadians are unwilling to work in these industries, while immigrants, with fewer opportunities to choose from, have accepted this work in spite of its unpleasant conditions.

(3) Language. Some Canadian industries require skill in English or French or both. In some jobs even accent is important. The low ratio of immigrants to native Canadian workers in retail and wholesale trade and in finance, insurance and real estate could be due to language requirements in these fields.

(4) Historic connections of certain nationalities with certain types of work. Many Greek immigrants go into the restaurant business in Canada today, and Chinese immigrants turn up in the greengrocery and restaurant business because their fellow-nationals have long-established connections with these trades and can offer them jobs. The high proportion of immigrants in the clothing (textile and fur) industry can be explained in this way. Many Jewish immigrants have, for generations, made their start in Canada in this industry.

(5) Occupation in the home country and government selection policy. Sometimes an immigrant moves straight from his job at home into the same job in the new country. The object of policy is to have this happen in most cases, since clearly it avoids waste of training and helps the immigrant settle easily in Canada. But, strange as it seems, we have little definite knowledge of whether the policy generally works out as planned. Only since 1953 have the statistics of the intended occupations of immigrants been collected in detail on a basis fully comparable with the occupational classifications of the census, and it will not be until after the 1961 census that we can study this question properly. In the meantime there is occasional evidence, in the form of letters to the newspapers from disappointed immigrants and employers, showing that immigrants do not always find the jobs they hope for and claim to be trained for. At the same time employers often point out that the immigrants' qualifications in a trade in Britain or Europe frequently do not fit them for work under the totally different conditions in which the trade is practised in Canada.

It would be a valuable new piece of research in Canada to trace the occupational experience of a carefully selected sample of immigrants, both before and after their arrival in Canada. In spite of our general ignorance on this point, there are a few clear instances where immigrants have gone into an industry in Canada because they had worked in that industry at home and the Canadian Government chose them for that reason. The case of Dutch farmers has already been referred to. Groups of machinists, engineers and technicians have been similarly transferred from Germany, Italy and Britain. Building tradesmen and general labourers have been brought in from many countries to fill the needs of the construction industry.

Evidence of failure in keeping immigrant workers in three industries is provided by a study carried out by Professor Oswald Hall.¹ In the summer of 1951 he collected information concerning

¹ O. HALL: "Displaced Persons in the Canadian Labour Force with Reference to Mining, Construction and Pulp and Paper", Institute of Industrial Relations, Staff Seminar, McGill University, 1952.

1,650 displaced persons in the pulp and paper industry, 627 in mining and 445 in construction. Such a study was possible because the displaced persons had been brought out on a one-year contract of employment, under joint arrangements between the Canadian Government, the International Refugee Organisation and certain employers. There was a government file about each of them and the employing firms were obliged to keep records of their dates of arrival and to help supervise their fulfilment of the contract.

Between 1947, when the first refugees entered these industries, and 1951 when Professor Hall made his study, the following percentages had left the industry :

Pulp and paper	72 per cent.
Mining	58 " "
Construction	93 " "

In fact, of those in the sample who ultimately left the pulp and paper industry, nearly half left in the first three months of employment and all but a few within the first year. The contracts were not enforceable in the courts and prosecutions were not attempted. In both mining and construction large numbers left after the first year was up but a few (between a fifth and a quarter) of the refugee workers did not leave until the third or fourth year.

Before one can judge whether refugees were a "bad risk" from the employers' point of view, it would be necessary to know the rate of departure of non-immigrant workers. The seasonal and casual nature of the work in some pulp and paper firms' woods operations, and in construction, may be such that the rate of job turnover among displaced persons employed was not unusually high. Of the three industries studied only mining acquired, through refugee migration, a long-term addition to its labour force.

The reasons for leaving are complex, but Professor Hall's analysis points to the following three :

(1) Some firms were unsympathetic to the special adjustment problems of immigrant workers. Their foremen and managers took a tough, legalistic attitude toward displaced persons and expected them to bear the whole burden of the adjustment to Canadian working conditions. Other firms took a more sympathetic attitude, planned in advance, trained their foremen to co-operate with the displaced persons and were willing to adapt their working conditions and routines to suit the newcomers. These firms lost fewer of their immigrant workers.

(2) Displaced persons were attracted strongly to the Toronto area and to more skilled work in manufacturing, in an urban setting.

(3) Managers of some firms blamed agitators, or the single men, or conversely the married men, or raids by other employers.

Professor Hall places most stress on the first reason. Flexibility, a sympathetic attitude, and planning in advance by the employing firm contribute to success in retaining displaced persons as workers. It should be remembered that this was a study of displaced persons whose war-time experiences probably made it more difficult for them to settle down in employment than it has been for other immigrants.

The bonds between the American and Canadian economies have grown steadily stronger since the Second World War. Currently about 75 per cent. of Canada's imports come from the United States and about 60 per cent. of her exports go to the United States. In 1956 the deficit in the balance of payments on current account with the United States was running at a rate of 1,000 million dollars a year. This gap in the balance has to be made up somehow and in Canada's case it has been made up by the inflow of capital investment from the United States. But this inflow of capital is only one of the ways in which Canada makes use of foreign funds. Foreign investors tend to reinvest the proceeds of their investment in Canadian industries. To get a true measure of Canada's reliance on foreign capital it is necessary to take into account the depreciation allowances and retained earnings of foreign-owned corporations in Canada. The Royal Commission on Canada's Economic Prospects estimates the gross use of foreign resources, as a percentage of total new investments in Canada as follows¹:

1926-30	50 per cent.
1946-49	21 " "
1950-54	28 " "
1954 to mid 1956	33 " "

The figures for the late 1920s help to put this problem in perspective: dependent as Canada is on foreign capital, the dependence is not so great now as it was then. It should also be remembered that, as well as borrowing abroad, Canada lends and invests abroad. What is new, however, is the extent to which Canada's foreign obligations are held by Americans. Table III demonstrates these points.

United States investment in Canada has more than doubled, while British investment has decreased. Americans now have four times more invested in Canada than in any other foreign country.

¹ *Preliminary Report . . .*, op. cit., pp. 83-84.

TABLE III. ESTIMATE OF THE CANADIAN BALANCE OF INTERNATIONAL INDEBTEDNESS, AND FOREIGN CAPITAL INVESTED IN CANADA, BY COUNTRY, 1939 AND 1954

(Thousand million dollars)

	1939	1954
Foreign capital invested in Canada :		
United States	4.5	10.3
United Kingdom	2.6	2.3
Other countries	0.3	1.0
Total	7.4	13.6
Canadian capital invested abroad	1.9	6.9
Canadian net international indebtedness	5.5	6.7

Source : *Canada Year Book*, 1956 (Ottawa, Dominion Bureau of Statistics, 1956), p. 1095.

United States holdings in Canada exceed American holdings in the whole of South America.

How does immigration fit into this pattern? First, let us consider immigrants as consumers. Immigrants have been a factor, though not the major factor, in the growth of the domestic market. No doubt they have consumed imports, and goods which would otherwise have been exported, but the growth of the domestic market, to which immigrants have contributed, has helped to make viable the manufacture in Canada of goods which were formerly imported. As the home market has grown, so the economy has become diversified and, on the whole, less dependent on imports. The ratio of Canada's imports to the gross national product has been declining decade by decade.

Secondly, let us consider immigrants as producers. The problem is to know how many immigrants can be absorbed and employed in the kind of economy which United States investment is producing in Canada. Is there a danger that United States industry will strip Canadian resources for its own use and provide no new jobs in Canada?

United States investment has been heavily concentrated in a few major industries. For example, American investors dominate the petroleum industry, the chemical industry, the manufacture of electrical apparatus and automobile manufacture.¹ But, on the other hand, there are industries in which foreign control is

¹ Dominion Bureau of Statistics : *Canada's International Investment Position, 1926-1954* (Ottawa, Queen's Printer, 1956).

negligible, for example in steam railways, other utilities, textiles, transportation equipment, primary iron and steel, and beverages. There is an intermediate group of industries in which control is more evenly shared between Canadian and foreign investors. For example, in the manufacturing industries as a whole, 50 per cent. of the capital invested is controlled by Canadians, 43 per cent. by United States and 7 per cent. by other foreign investors.

When we look beyond the statistics to the actual new American-controlled enterprises on Canadian soil, we find them looming large on the frontiers, in the development of new natural resources, and wherever the risks and the potential rewards are greatest. American interest in Canada's resources is quite understandable in the light of the Paley Report¹ and its conclusions that the United States is fast using up its store of minerals and other depletable resources. It is now estimated that the United States will, by 1975, depend on foreign sources for 40 per cent. of the iron, 60 per cent. of the zinc, 70 per cent. of the lead and 100 per cent. of the nickel she uses. The high standard of living in the United States consumes prodigious quantities of metals and fuels. Canada is an important future source of oil, natural gas, water storage for hydro-electric development and uranium for America's power needs. Canada has for several decades been the source of most of the newsprint consumed in the United States and an important source for other wood products. Reliance on Canadian supplies of wood products is likely to grow as America's population grows and her standard of living rises.

American investment has both contributed to Canada's prosperity and introduced new economic problems. It has been an important source of funds with which to pay for imports, and imports are essential to the high Canadian standard of living. In 1956 merchandise imports amounted to 5,600 million dollars' worth. Imports are also essential to the development of the economy, since about one-third of Canada's purchases of machinery and equipment is imported.² American firms have brought new techniques, new processes, new products and highly trained technical specialists into the country. All this gives promise of an even richer Canadian economy in the future, and American investment is therefore welcomed, both by governments and by responsible

¹ The report of the President's Materials Policy Commission, appointed by the President of the United States in 1951 under the chairmanship of William S. Paley. See *Resources for Freedom*, A Report to the President by the President's Materials Policy Commission, 5 vols. (Washington, U.S. Government Printing Office, 1952).

² J. Douglas GIBSON: "The Changing Influence of the United States on the Canadian Economy", in *Canadian Journal of Economics and Political Science* (Toronto), Vol. XXII, No. 4, Nov. 1956, pp. 421-436.

elements in the community. However, the problems have been real and have given rise to complaint. American firms often do not provide any opportunity for Canadian investors to buy shares in their Canadian subsidiaries. Canadians are often not brought into the management of the subsidiaries, and these firms are sometimes forbidden by their American parent companies to enter export markets or to conduct research and develop their own new processes and products. Such policies lessen the effect of American investment on Canadian employment and demand for labour.

A problem which directly affects the absorption of immigrants is the premium on Canadian dollars in terms of American. So great has been the demand for Canadian funds by American investors that it has driven up the price of Canadian dollars to a 1957 peak of just over U.S.\$1.06. This has been a cause of wonder and respect in Wall Street and boasting in Canada, but it has been a sore trial to Canadian exporters and to manufacturers of goods competing with American imports. Canadian exports have been made 6 per cent. dearer in the American market and that much harder to sell, while the manufacturers of such goods as radios, television sets, shoes, textiles and clothing have been hit by competition from American imports, reduced in price to the Canadian consumer by the amount of the premium on the Canadian dollar. Lumber and base metal exports have been most seriously affected, both by the exchange rate problem and by temporary softening of demand in the United States, and employment has been slow to rise from the seasonal low point of early 1957.

More serious still has been the capriciousness of American commercial policy. Sales of Canadian wheat have suffered from American dumping of surpluses in soft currency areas. Exports of oil, natural gas, aluminium, copper, zinc, fish and plywood have all been threatened, held up or cut off by changes in American policy. These changes in policy often endanger the economic stability of whole Canadian regions and industries. Obviously it is difficult for Canada to plan the orderly absorption of immigrants in regions and industries subject to uncontrollable fluctuations. This problem becomes more serious as Canada's trade tilts more and more toward the American market. For, in spite of industrialisation and diversification in Canada, there are still great regions which depend on one or two export staples. These include the Prairies, which now export oil and natural gas in addition to wheat, and are more dependent on the United States than before the war; British Columbia, still very dependent on the world market for lumber; and the whole Laurentian Shield area from Northern Manitoba through Northern Ontario and Quebec to Labrador, where new mining and refining ventures are directly

dependent on American funds and markets. Typical of this region is the Knob Lake enterprise in north-eastern Quebec, an iron mining and refining venture backed by American money and intended to replace the Mesabi range as a source of iron for American industry.

Unstable American policy is a real danger, but there has been some needless alarm as well. There has been fear that the development of resources by foreign investors will not create employment in Canada and that a sparse population will be sufficient to man the oil wells, mines and lumber camps. Will Canadian workers be mere hewers of wood and drawers of water for industrial cities south of the border? Anxieties such as these find support in the theories of some economists. Colin Clark long ago distinguished between primary, secondary and tertiary industries and argued that regions confined to primary industry would in general be thinly populated compared with regions with all three kinds. These ideas have dominated the discussions of population growth in new countries such as Canada and Australia. They have also become the basis of many economists' approach to regional planning and the development of underdeveloped economies. Recently Colin Clark himself has returned to these themes in an article on Australia's economic and population capacity.¹ He argues that since Australia is unlikely to become a major manufacturing area, agriculture and the export of agricultural commodities must remain her principal economic base, and she cannot expect ultimately to carry a population larger than 40 million.

The situation is different in Canada. Here primary, secondary and tertiary industry have been virtually inseparable. The kind of expansion Canada has seen in the development of primary resources and extractive industries is impossible without large-scale capital investment expenditures. The Kitimat aluminium project will soon have cost 500 million dollars, the Knob Lake iron scheme a similar amount, and oil exploration and development expenditures are running at a rate of 500 million dollars a year in the four western provinces. These vast expenditures radiate outward and stimulate employment in countless supply enterprises, many of them close at hand. For example the demand for concrete in the building of the multi-million dollar St. Lawrence Seaway in addition to other demand pressures, has forced a huge expansion of the Canadian cement industry. Each of the frontier mining and refining enterprises has required a new town to be built or a small town to grow very rapidly. The Canadian labour force has built

¹ Colin CLARK: "Australia's Economic and Population Capacity", in *Australian Journal of Politics and History*, Vol. I, No. 1, Nov. 1955, pp. 49-58.

new railway lines, new hydro-electric power dams and generating stations, new roads, and in the oil and gas industries, new oil pipelines already over 3,000 miles in length, and new gas pipelines. Chemical industries have moved in close to the sources of natural gas, notably around Edmonton, Alberta. All the urban services, governmental services and supply trades with their dependent populations have moved outwards and northwards with the extension of the primary industrial frontier. Meanwhile manufacturing and financial services in the Canadian metropolitan centres have been stimulated and expanded as well. The absorption of over 300,000 immigrants in the Toronto area is explained by this and by the urban building boom which has gone with it.

Since primary, secondary and tertiary industrial expansion are so closely linked in Canada today, it is not possible to estimate the ultimate limits of the country's population capacity. Population growth will depend on the growth of world demand for Canada's resources and their products. Some processing of natural resources and manufacturing will inevitably be carried on close to the resources themselves and Canadian governments can be counted on to make use of every available opportunity to increase the Canadian share of the resource-based expansion. Resource-based industries create jobs in other parts of the economy, as J. Douglas Gibson, economist for the Bank of Nova Scotia, emphasises in this forceful passage :

Even the briefest study of the impact of the discovery of oil in Alberta demolishes the popular fallacy that the basic industries do little to encourage the growth of population and secondary industry. It is no coincidence that Alberta has become one of the fastest-growing provinces in population. It is true, of course, that the amount of employment directly related to the production of oil is small. But the huge investment involved, with all the related construction of refineries, pipelines, gathering systems, roads, and so on, the revenues and the royalties arising from the oil, the demands for supplies, and the stimulus to the development of industries using oil or natural gas as materials or fuels, provide a tremendous and still widening impulse to economic growth, including that of "secondary" industry.¹

The next stage in Canada's population growth may be a challenge to the economy's capacity to provide employment. For the past few years the generation entering the labour force has been a relatively small one, born in the late 1930s. Very soon, however, the war and post-war generations in vast numbers will be ready to enter the labour force and will need jobs. The young people in the age group 10 to 19 are the main source of recruits to the

¹ J. Douglas GIBSON : " The Changing Influence of the United States on the Canadian Economy ", *op. cit.*, p. 423.

country's labour force. In 1941 Canada had 2,221,000 in that age bracket. In 1951, when the next census was taken, Canada had grown in area by the addition of Newfoundland and had increased in population from 11.5 million to 14 million, but even so the number of 10-to-19 year-olds was lower than at the previous census (2,189,000). However, in 1956 this age group had grown considerably to 2,597,000. Even more rapid change is immediately ahead. The Royal Commission on Canada's Economic Prospects estimates that the 10 to 19 group will grow to just over 3 million in 1960 and by 1965 will be 3,735,000.¹ In other words, the age group from which most of Canada's labour force recruits will come will increase by almost 50 per cent. in ten years, a far faster increase than is predicted for the population as a whole. To put it another way, the 10 to 19 age group constituted 15.9 per cent. of the Canadian population in 1955, but in 1965 will have risen to 19.1 per cent. All this is the result of the sharp fluctuation in births from the 1930s to the 1940s.

The immigrant workers who have come to Canada since the war have been filling a gap in the ranks of Canada's population. But soon the situation will be reversed and the labour force will be growing more rapidly than the population as a whole. Will there be enough jobs for the young Canadian workers? And if there are enough jobs for them will there be shortages of labour and new opportunities for immigrant workers? Should we expect a temporary lull in the full employment boom? How will the economy respond to challenges such as these?

There is no need to be pessimistic about the economy's long-run response. Full employment depends on adequate demand. Consumer demand can be sustained through a rise in standards of living or a growth of population or both. The prospect is that Canada's population will grow rapidly. The forecasts of the Royal Commission on Canada's Economic Prospects envisage a Canadian population of 19.5 million by 1965 and 26.7 million by 1980. These growing numbers will require housing, shops, schools, offices, factories, public works, utilities, and every sort of construction and investment to provide them with the standard of comfort Canadians expect. Not only is Canada's population likely to grow rapidly, but it is expected also to be geographically mobile, shifting towards the west and towards the industrial cities. Sixty-two out of every 100 Canadians in 1951 were urban residents. By 1980, 79 out of every 100 will be urban residents if present trends continue. The movement of population creates a need for new

¹ This estimate is based on an assumed annual net migration of 75,000. See *Preliminary Report* . . . , op. cit.

investment in housing, urban services and so on, over and above the needs of growth.

Any slackening in investment is likely to be very brief indeed, and besides, governments today are better prepared to deal with threats of unemployment than in the 1930s. Foreign demand for Canada's staple export products is a crucial element in keeping up the level of employment. A long-range forecast is bound to be speculative, but there seems more likelihood of excess demand and inflation than of the reverse.

If we can be confident of adequate demand and high average levels of employment, the demographic situation is most encouraging. For in the post-war period so far, as was pointed out earlier in this article, a slowly growing labour force has been able to produce a rising standard of living for a rapidly growing population. In the next decade the ratio of workers to dependants will increase. On the assumption, which seems reasonable, that the rapidly growing labour force of the next decade will be fully employed, we can foresee an even swifter rise in the per capita output of the Canadian economy. A surplus of production will be available and Canada can choose to make use of it in several ways. She can luxuriate in a richer standard of material comfort for her own people; or she can plough back the surplus into even more rapid development of the national economy, placing an increasing emphasis on technological advance and scientific research; or she can use some of her wealth as a trust for other people in the world, assist in the development of backward economies, and welcome to Canada those who can help to produce a more diverse and valuable civilisation.
