

inventories, housing, and plant and equipment have been accumulated, the stage will be set for deep and prolonged post-war depression. The depression of the 1950's could be as much greater than that of the 1930's, as world War II was greater than World War I. How soon this threat will appear depends to a large extent on how successful we are in fighting inflation now. Inflation brings more rapid exhaustion of the financial reserves of households. It shifts incomes from wages to profits, and thus increases savings at the expense of consumer spending. It raises costs, and so leads to postponement of investment.

Of course, the threat of secondary postwar depression could be staved off by appropriate government policies. In

Canada the present government is committed to such policies, but lacks the cooperation from provincial governments necessary to execute them. Great Britain has both the commitment and the powers for an effective fight against unemployment. The United States, on the other hand, lacks even a clear-cut commitment by its government to pursue the policies needed to avoid another great depression. One need be no Marxist to recognize the danger that another great depression in the United States might foment so much unrest as to lead to the development of a species of fascism in that country. In such an event, the chances of avoiding World War III would be very remote.

Some Thoughts on Steel Production

By STUART ARMOUR

SINCE considerable interest in the subject of Canadian steel production has of late been evident, and since a good deal of misinformation seems to be going the rounds, it may not be out of place to recite a few facts at this time. As usual, the facts may prove somewhat less interesting than the fancies. The principal question in the minds of certain persons seems to be: "Is there sufficient steel-making capacity in both Canada and the United States to meet post-war demand?" It is an involved subject which can only be profitably discussed if it is dispassionately examined in all its aspects.

Production Figures

While official figures show Canada to have an annual ingot producing capacity of some 3,300,000 tons, the present-day usable capacity is thought by steelmen of long experience to be considerably below that figure. Hence, when the over-all Canadian ingot production

figure for 1947 is officially estimated at some 2,900,000 tons, this, they say, should be related to a productive capacity of not more than 3,000,000 tons. Production in 1947 was nearly twice as large as in 1937, the peak pre-war year. It was about two-and-one-half times larger than the average of production for the years 1935-39 inclusive.

It is said, in fact, that percentage-wise the production of steel in Canada has increased far more during the past seven or eight years than that of any other country in the world.

In 1918 the Canadian steel industry produced 1,800,000 tons of ingots. Eleven years later, in 1929, a year of very high prosperity, production was only 1,467,000 tons. This represented utilization of only 78.7% of then rated capacity. Another decade later, in 1939, when all Canadian industry was operating under the shadow of World War II, production reached 1,490,000 tons; only 69.2% of then rated capacity. Not until 1940, when production totalled 2,178,000 tons did Canadian ingot production exceed

the level achieved in 1918, twenty-two years earlier.

The reason why production lagged in this fashion can be explained in three simple words—lack of demand. Per capita consumption of primary steel in Canada was 363 lbs. in 1924; in 1929 it was 490 lbs. But in 1939 it was only 319 lbs. In fact, on the average, between 1919 and 1939, ingot production in Canadian steel mills was only 65% of rated capacity. Moreover, in some years less than a quarter of such capacity was utilized.

It is argued in certain quarters that there can be no true analogy between the inter-war years and the years which lie ahead. Those who argue after this fashion say there is no point in quoting inter-war figures as a guide to post-war experience. They reinforce this argument by pointing both to the war-born increase in Canada's industrial potential; and also to the elaborate plans evolved by government for achieving "a high level of employment and income."

But the Canadian steel maker, whose experience has tended to make him somewhat sceptical will question at least some of these conclusions. Not unnaturally, the steel maker, like other industrialists and businessmen generally, is apt to ask: "If those who held full employment up as the ideal state forgot to adumbrate full production as an essential corollary, what assurance have we that they are not again overlooking something essential when they take crude figures for Canada's 1947 steel needs, and her ingot production capacity, and arrive at the conclusion that we need more blast furnaces and open hearths?"

This is not to say, of course, that Canadian steel men have lost faith in this country; or that they have ceased to enlarge productive capacity. Indeed, the enlarged Canadian industrial potential, which some people outside the steel industry seem to think has outrun the productive capacity of the steel in-

dustry, is itself, in very large measure, due to new steel production facilities.

The War Record

Thus any charge that the leaders of the Canadian steel industry have been lacking in courage, foresight or initiative, is manifestly unfair. Even before World War II, the Canadian steel industry was anticipating the future more accurately than many an economic expert. Because of this foresight, Canada entered World War II in an industrial position which was fundamentally far in advance of her position even five years earlier. Thanks to the soundness of the fundamental position of her steel industry, Canada was able to become the third largest allied producer of war materials. In fact, without the courage, foresight and initiative of Canadian steel makers in the depressed 1930's it would have proved impossible for Canadian tanks, guns, ships, and aircraft to play a vital role in World War II.

The war saw a great increase in the ability of the Canadian steel industry to meet our industrial needs, and particularly the highly specialized needs of an armament programme. Much of that increased ability will be of permanent value to Canadian industry. War expansion did, however, lead to a certain lack of balance developing between primary steel production and finishing capacity within the Canadian steel industry. But by the diversion (often at the expense of export markets) of slabs and ingots from one producer to another, the flow of finished products has been kept very far above what would have been regarded as highly abnormal demand in any previous period of our history.

Post-War Developments

Steel makers find it hard to regard the years since V.J. day as a period which is likely to remain characteristic of post-war normal. For one thing, when the war ended, there was banked up domestic demand, due to under-production of finished steel in the depression years

and to the deliberate channeling of primary steel supplies away from consumer and into war goods. For another, our exceedingly generous programme of self-financed exports has resulted in very considerable "stripping" of our domestic economy in the past two or three years.

Already there is some evidence that domestic demand for steel products is being more than satisfied in certain directions; and the warnings of both Graham Towers and the Hon. Douglas Abbott have put Canada on notice that she cannot hope to continue her policy of giving away exports. When there is a falling off in the demand for exports of Canadian industrial products, the situation facing the Canadian steel industry is likely to change with some rapidity. Locomotives and railway rolling stock for France, India, and Africa; plates for Brazilian, Greek, and Portuguese ships; and foreign demand for other Canadian steel supplies, unusual both in character and quantity, are unlikely to survive the end of Canadian foreign lending.

So uncertain is the future facing even our agricultural export trade, that the greatest reliance is being placed by Ottawa in the ability of the Marshall Plan, or E.R.P., to help in the solution of our economic problems. Paradoxically, the greater Europe's ability to help herself—which is, of course, one of the prime objectives of E.R.P.—the less demand is there likely to be for Canadian manufactured products. We are, therefore, compelled to look upon the future course of our export trade as presenting at least the possibility of a reversion to the long-prevailing situation in which Britain, either for herself or as entrepreneur, took off our hands the surpluses of wheat and lumber and non-ferrous metals we annually produced. Unfortunately, it is not easy to visualize a full return to the position we occupied vis-a-vis Britain prior to World War II, for the reason that the Britain we once knew no longer exists

It has long been axiomatic that Canada cannot be prosperous unless *both* the United Kingdom and the United States are enjoying prosperity. The war has damaged many things, but there is as yet little, if any, evidence that this axiom has been invalidated. We have, of course, masked many facts by our policy of export credits. But the discerning can see no evidence that because we succeeded, largely through the granting of such credits, in penetrating new markets for new products in the immediate post-war period, we shall continue to hold our place in them. Already there are import restrictions against us as a dollar or hard currency country, on the part of those who welcomed our goods a year or eighteen months ago.

Export Trade

While Canadian steel has never, of itself, been a very large item in our export trade, it has, of course, contributed mightily to the level of our exports. If that seems a paradoxical statement, remember that every Canadian producer of those primary products which have always constituted the great bulk of our exports, is a great user of steel. He not only has to have tools, vehicles, appliances, utensils, all articles with a large steel content, but steel enters indirectly into the production of his clothing, his food, his fuel, and his housing. Steel even plays a dominant part in making possible the recreation.

Should our primary producers find themselves priced out of foreign markets, or find themselves denied access to such markets for any reason, then all Canadian industry would be quick and most unfavourably affected. For long experience has proved that with our existing pattern of job distribution, industrial Canada cannot be prosperous unless our primary producers can sell their surplus products abroad, at profitable prices. Thus, in attempting to assess the productive needs of the Canadian steel industry, it is clear that to-day, such needs be considered against a most

uncertain background. Without economic stability in Europe, North America, Africa, and elsewhere, we cannot hope to maintain the volume of exports, (and particularly of primary products exports), requisite even to a reasonable level of prosperity in Canada. Experience has proved that without a reasonable level of domestic prosperity, the productive facilities of our steel industry can become surplus to our needs with surprising rapidity.

It can, of course, be argued that the needs of the world are so great that even if every ton of Canadian steel production were to find a market, there would still be an appalling deficit. While there need be no quarrel with those who argue in this fashion, it is imperative that they be asked to answer the practical question of how payment is to be effected. It is all very well to theorize about production for use and not for profit. But even in a world shattered by the second and more devastating of two world wars, the question of payment even for food and other essentials, has risen to confront every country, irrespective of ideologies. Socialist Britain has found it just as necessary to provide a quid pro quo for Russian coarse grains and lumber, as capitalist Canada has found itself obliged to pay in United States dollars for vital imports of oil and coal and cotton and machine tools. In fact, despite the needs of a war-torn world, it has only been possible for Canada to provide by gift the means of keeping old and valued customers from disintegration. Had we not been able to make what are virtually gifts to Britain and France and Greece and the Netherlands, by way of export credits, the grave economic situation with which we are faced to-day, would have been far worse. If we do not have large scale recipients of United States dollars in payment for the substantial part we are expected to play in E.R.P., then, despite whatever promises have been made to our people, we shall unquestionably

find it difficult to avoid at least some degree of depression.

Uncertain Future

What then of the period following 1952, when E. R. P. payments of United States dollars are likely to greatly diminish, if not cease altogether? Can we hope, while in the midst of making our contribution to world recovery, so to realign and recover our trade that we can thereafter find enough gold in United States dollars to satisfy the needs of a civilization based upon our economy, described as one of the "least self-sufficient in the world?" If we can do this; if we can so change the character and direction of our export trade within the next four years that we are no longer dependant as we always have been in finding external markets for great surpluses of primary products, then we may need additional steel making capacity on a large scale. If it becomes apparent that present efforts to reorient our trade are going to be so successful as to demand an increase in the capacity to produce basic steel, then, on the basis of past performance, the public may rest assured that the capacity will be provided.

But meantime, the steel industry prefers to proceed quietly with its long-range expansion plans rather than to be panicked into doing things which may prove to have been economically unjustified. Remember, steel making has always been described as "feast or famine industry." If facilities are provided for a feast and demand is at a famine level, then there is bound to be much unused capacity.

Installation of steel making capacity has long been an expensive business. Under to-day's conditions, the expense is likely to be ruinous unless there is an assured and steady market for our product. If capacity lies idle, it "eats its head off" in fixed charges; and such charges are bound to be reflected both in unit costs and in selling prices.

The greatest question, then, which confronts the Canadian steel industry is: "Will there be a sufficient degree of world recovery to ensure continuance of a reasonably high level of prosperity in Canada?" If the answer is to be in the affirmative, then our basic steel making

capacity will undoubtedly be further enlarged in short order. But if even, now developing return a negative answer then we are likely to find ourselves with more capacity than we can keep full employed.

Canada Needs More Dentists and Nurses

By J. W. WILLARD

This is the second in a series of two articles dealing with Canada's health personnel. The first article, "Has Canada Enough Doctors?" appeared in the issue of December, 1947.

DENTISTS

Demand for Dental Services

FOR almost eight years there has been a serious shortage of dentists to serve the civilian population. War service drew off such a large sector of civilian dental manpower that, even by February, 1943, it was estimated that effective civilian dentists numbered roughly only two-thirds of normal peacetime strength.¹ This loss to civilian practice during the war meant both inadequate service at the time and the building up of a backlog of dental care among the civilian population.

Nor has the situation been materially alleviated since that time. After the war the Department of Veterans Affairs provided dental benefits to all discharged personnel of the armed services, thus creating, during a period of two years, perhaps the heaviest temporary civilian demand for dental services ever experienced in Canada. The problem was accentuated by a time lag of three to four months between the commencement of this heavy demand for treatment and the extensive release of dental

officers from the armed forces. An additional complication arose through the difficulty experienced by discharged dental officers in obtaining suitable office accommodation, which delayed many from entering practice immediately, and consequently wasted thousands of man-hours of dental care at a time when they were urgently needed.

The demand for dental services has been greatly augmented by the rise in national income and employment during the war and post-war years. Higher incomes accompanied by shortages of consumer goods, particularly during the period of the war, have meant more money for the purchase of dental services. The rural-urban migrations that accompanied expansion of industrial activity since 1939 have brought a greater portion of the population within larger urban centres where dental care is more easily procurable. Bringing dental services within the financial and geographic reach of more people has in turn stimulated an increased appreciation of dental care. A recent survey pointed out that "prior to the war less than one-fourth of the population demanded full treatment for their teeth. The rest asked for treatment only occasionally and usually were content with extractions. The increased demand has been variously estimated but it is safe to state that there is an approximate increase of 25 per cent over the pre-war level."²

EDITOR'S NOTE: Joseph W. Willard, M.A., M.P.A., A.M. is at present acting as Officer in Charge, Research Division, Department of National Health and Welfare.

1. *National Health Survey*, 1943, Canadian Medical Procurement and Assignment Board, Kings Printer, 1945, p. 245.

2. *Survey of Dentists in Canada*, Apr. 1, 1947, Dept. of National Health and Welfare, p. 3