

INTRODUCTION

THIS study on "Canada's Economic Development, 1867-1953" was prepared at the request of the Programme Committee of the International Association for Research in Income and Wealth for discussion at the Third Conference at Castelgandolfo, Italy, 1st-6th September 1953. The report follows the pattern established by similar studies for the United States by Simon Kuznets and for the United Kingdom by James B. Jefferys and Dorothy Walters. National income data for Canada for the early period are less complete than those available for the United States and the United Kingdom and somewhat more emphasis is placed on qualitative material to facilitate appraisal of long-term economic growth.

A major problem in this investigation was the inadequacy of data for the early period. Official estimates of national income and gross national product following modern concepts are available from 1926 to date. Some isolated estimates made by private investigators are available for the earlier period but few of these are comparable with the official series and any linking process without adjustments would yield results of doubtful value. Further, there are no up-to-date wealth estimates. The last official estimate was for the year 1933, and the series was discontinued because of the inadequacy of the basic data. Private estimates of national wealth are available for a few selected years back to 1830. They vary considerably in quality and coverage and are therefore of little value for an analysis of economic growth.

To facilitate analysis of long-term and medium-term changes in the Canadian economy, it was necessary to prepare some new estimates, linking them with existing estimates to obtain a comparable series for the period 1867-1925. They include:

(1) Births, deaths, marriages, emigration and net family formation, on an annual basis, supplementing data on population and immigration available for this period.

(2) Gross national product by industry, in current and constant dollars, for one year in each decade commencing with 1870.

(3) Gross national expenditure for 1870, 1890, 1900, 1910, and 1920, and its components, consumer expenditures, gross

private investment in durable physical assets and inventories, government expenditures on goods and services, and imports and exports in current and constant dollars. Estimates for 1867 and 1880 were based on the changes in the levels of employment, productivity, and prices between 1867 and 1870 and 1870 and 1880. In addition, an annual series and annual averages for five-year periods of gross national expenditure in constant dollars were prepared for the period 1870–1925, as indicators of short-term economic change and as test data of the more detailed estimates for selected years at decennial intervals.

(4) A number of price indices were constructed to adjust gross national product and gross national expenditure for 1867–1925. Work done by earlier investigators was drawn upon.

(5) Supplementary estimates of certain key economic data were prepared for some industries, particularly manufacturing and agriculture. They include the value of reproducible capital for selected years in current and constant dollars. These data have been related to persons working, unit of output, and other economic factors.

Although considerable research work over a long period of time has gone into the preparation of this study, this investigation remains in essence an interim report. The estimates for the period before 1926 are tentative and subject to further improvement; the analysis, of necessity, concentrates on aggregates and major economic flows and neglects various regional economic influences, differences in income distribution, and cross-sectional relationships that have an important bearing on the decisions of individuals to spend, the decisions of business to expand, and the decisions of government to provide the public with the greater facilities and services it demands.

This study is organized in four parts. The first is a summary of findings. The second gives in considerable detail the long- and medium-term economic changes that have taken place in the aggregate and in terms of major economic flows and industries. The third part gives the basis for the new estimates, comments on the quality and limitations of the data, and describes the methods of estimation and sources of estimates contained in this study. The fourth and concluding part is a historical review of Canadian national income and national wealth estimates by private investigators and government agencies but excludes the

official estimates. The latter are too well known to require any elaboration and reference material is readily available explaining both their meaning and method of estimation.

This report was prepared primarily for the Third Biennial Conference of the International Association for Research in Income and Wealth. The Department of Trade and Commerce, however, has received numerous enquiries about the expansion of the Canadian economy and the Canadian market, and its meaning in terms of opportunities for Canadians themselves and for others who have a particular interest in Canada as traders or investors, or prospective immigrants. This study will serve a wider audience than that of international experts interested in comparative studies of the economic development of various countries. The report therefore includes some descriptive material and definitions which are only too familiar to the technical reader and he may glance over this material rather quickly. Parts III and IV may be of little interest to the non-professional reader who is not concerned with the quality of the estimates and the techniques used.

The conclusions reached in this study reflect the personal views of the author. The new estimates for this period 1867-1925 are an individual effort to fill in part of Canada's economic history and in no way represent official estimates. In Canada the official data are prepared by the Dominion Bureau of Statistics and are available from 1926 to date.

In the planning of this study and its preparation, I have had the counsel of one of America's greatest scholars in the field of national income analysis, Simon Kuznets. It is due to his help that this study has probed as deeply into the early period of Canadian economic development as it has.

Two of my colleagues in the Department of Trade and Commerce were associated with me in the preparation of this study, T. R. Vout during the whole period and A. W. A. Lane during the period of planning and preparation. The keen research minds of both men contributed a great deal to the assembly of the material incorporated in this report. The preparation of the estimates of economic aggregates for the early period of Canada's economic history was materially facilitated by the co-operation received from several senior men of the Dominion Bureau of Statistics, including S. A. Goldberg, D. H. Jones and R. G. Bangs. Lillian Epstein and Phyllis Deane rendered expert

editorial help and demonstrated great patience in seeing the study through the press. To all of these, to the two ladies who transcribed and typed the manuscript, K. F. Burke and M. M. MacLeod, and to Rose Knight who read the proofs, go the author's sincere thanks.

O. J. FIRESTONE

Ottawa, *22nd July* 1953