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## Key Economic Events 1939 - 1945 - World War II: Transformed the Canadian Economy

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[Home](#)

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### Event

## 1939–1945 – World War II Transformed the Canadian Economy

More than 40,000 Canadians sacrificed their lives during World War II, which began with Hitler's invasion of Poland on September 1, 1939. Just two days after the invasion, Britain, France, Australia, and New Zealand declared war on Germany, and Canada followed almost immediately on September 10, 1939.

By the time the war ended in Europe on May 8, 1945, it would have profound and long lasting effects on the economic and social lives of Canadians. During the war, agriculture became increasingly mechanized, manufacturing showed unprecedented growth, exports jumped, government spending increased substantially, unemployment virtually disappeared, and more than 1 million women, who were previously engaged in homemaking moved into the workforce. The economy not only recovered from the [Great Depression](#), which had preceded the war, but also gained the momentum that would lead to rapid postwar prosperity.

For a decade before the war, Canada's economic situation had been very bleak. From 1929 to 1933, the gross national product fell 43%, and exports plummeted by 50%. By 1933, the unemployment rate had risen above 25%. Recovery began in 1934, but its pace was very slow until the war's outbreak.

The war created an unprecedented demand for military as well as civilian goods, since Canada was Britain's principal supplier of war materials until the United States entered the war. To cope with these demands, in April 1940 the Canadian government created the Department of Munitions and Supply, headed by C.D. Howe.

Under Howe's direction, the government created 28 Crown corporations for large-scale production of manufactured goods. Production expanded rapidly: by 1942, Canada was producing more than 4,000 aircraft a year, and exports to the United Kingdom were shooting up. To keep the supply of goods flowing, Canada arranged credit for the United Kingdom, and in 1944 exports reached \$1.2 billion. From 1939 to 1941, the number of employees in Canada's manufacturing sector increased by 50%.

The manufacturing-driven growth, however, created regional disparities. Although all the regions of the country grew during the war, the Atlantic and Prairie provinces trailed Ontario, Quebec, and British Columbia in employment and growth because of the high concentration of manufacturing industries in these three provinces.

The government budget deficit also increased rapidly: in 1939, the budget deficit was less than 12% of GNP; in 1945, that rate rose above 42%. Nevertheless, by 1944, the Great Depression had faded into memory, and the unemployment rate was less than 1%.

By the end of the war, the economy had a more highly skilled labour force, as well as institutions that were more conducive to sustained economic growth. When the men returned home, many women left their jobs and returned to their traditional role as homemaker. This created immediate employment opportunities for the men.

Marriages that had been postponed because of the war now took place and the baby boom followed— the birth rate was relatively high for more than a decade.

From 1946 to 1957, the country saw rising prosperity, fuelled partly by the needs of a rapidly growing population for homes, schools, hospitals, roads, and factories. Canada's exports also continued to grow with its participation in the U.S.-led reconstruction of a war-ravaged Europe.

Canada and the United States were the only two major industrialized countries whose infrastructures were substantially expanded during the war rather than devastated. By the end of the war, the United States emerged as the most powerful economy in the world, which also helped the Canadian economy in terms of its exports and growth. The two countries undertook major building projects such as the St. Lawrence Seaway.

The supreme sacrifice of Canadian soldiers, the increased co-operation with the United States, a greater role for government in the economy, the emergence of Crown corporations, the large-scale participation of women in the labour force, and prosperity were the main legacies of World War II.

### Links

#### **Canada and the Second World War 1939-1945**

**Source:** Veterans Affairs Canada

[http://www.vac-acc.gc.ca/general/sub.cfm?  
source=history/secondwar/canada2/intro](http://www.vac-acc.gc.ca/general/sub.cfm?source=history/secondwar/canada2/intro)

#### **Democracy at War: Canadian Newspapers and the Second World War**

**Source:** War Museum of Canada

[http://www.civilization.ca/cwm/newspapers/intro\\_e.html](http://www.civilization.ca/cwm/newspapers/intro_e.html)

[< previous event](#)

[return to index of Key Economic Events](#)

[Next event >](#)