


The Great Depression

A Decade of Despair



Roaring Twenties

- ✦ End of the economic boom was a surprise for Canadians
- ✦ 4.2% unemployment rate in 1929



So What Happened?

✦ CAUSES OF THE DEPRESSION:	✦ Falling Demand
✦ World Wide Overproduction	✦ Banks Tightened Credit
✦ Increased Taxation	✦ No World Bank Stabilizer
✦ Government Cutbacks	✦ Public Over-saving
✦ Interest on Debt Repayment	
✦ High Tariff Policies	
✦ Heavy Burden of Debt	

Overproduction

- ✦ Good times had encouraged producers to increase production beyond what markets demanded
- ✦ Stockpiling of goods
- ✦ Workers laid off, have less money to spend, buy fewer goods

Kingston, On - Manufacturing



Causes: Overproduction

- ✦ Cost of wheat worldwide was falling
- ✦ More wheat was being produced than sold
- ✦ Canada and US depended on foreign markets but now they were producing their own wheat
- ✦ Sales decreased = income of farmers decreases = can't pay mortgages and loans

PRIMARY PRODUCTS DEPENDENCE

- ✦ Competition from other producers of same products reduced price on world market
- ✦ Vulnerable if those industries suffered a setback (eg. Farmers facing droughts in 1930s)
- ✦ Wheat especially – lots of demand in 1920s, but then other markets increased supply, prices fell
- ✦ Farmers lost income & couldn't pay loans and mortgages

Cutting Grain in Alberta 1920



Causes: Overproduction

- ✦ People were buying a lot of “stuff” so industries were trying to get ahead and started making more
- ✦ But...then there were more items than were being sold = decrease in production = layoffs = less spending



BUYING ON CREDIT


- + Buy now, pay later motto caught up with Canadians
- + New consumer goods paid for in installments
- + Many lost jobs and were unable to pay for credit purchases

BUYING ON MARGIN

- + Stock Markets very active – Toronto, NY, Montreal
- + 1922-1926 Canadian companies issued shares valued at \$700 million
- + Put 10% down on stocks with the idea of paying back the rest with dividends – sometimes even the “margin” was borrowed on easily obtained credit
- + Investors sought to cash in on high prices, but flooded market & prices crashed
- + Oct 29, 1929 – Stock Market Crashed – Black Tuesday
- + <https://www.youtube.com/watch?v=RjPLMvgUXe8>

Causes: Overuse of Credit

- + As people jumped on the consumer bandwagon they began purchasing goods on credit (promising to pay for items later vs up front
- + When things went south, debtors were unable to pay up and creditors were forced to absorb millions of dollars in bad loans



Stock Market Crash 1929

- ✦ Speculation (gambling) on the stock market by buying stocks “on margin”
- ✦ Borrowing money – 90% from a broker to purchase stock, putting down only 10% of your own money
- ✦ Led to the crash on “29/29” = October 29, 1929 (known as Black Tuesday)
- ✦ This was the “triggering event” of the Great Depression

Stock Market Crash



Stock Market Crash

- ✦ Some big investors (big business + the rich) figured that the stock market was about to top out and they rapidly sold their shares
- ✦ The market dropped slightly but panic struck and almost everyone with shares/stocks decided to sell their stocks and fast (panic)
- ✦ Because the market was built on borrowed money (speculation/buying on the margin) and now nobody could pay back their debts

Present-day example of buying on the margin

- ✦ Let's say I wanted to get rich fast!!
- ✦ I would think about investing in stocks. I wanted to buy some Nike stocks which are selling for \$4.95. If I'm a big player I would buy about 100 stocks. Obviously, I don't have \$495.00, so I would have to borrow the money from a bank and put down a small down payment (let's say \$200). If the value of the stocks increase I'm making money. Let's say the stock goes up to \$5.00 and I have a 100 stocks that means my stock is now at \$500 so I made \$5! Good times! But what would happen if my stock went down to \$1.00? That means that the value of my stocks is now \$100. I owe the bank \$295 (with growing interest) and I'm not making any extra money...
- ✦ Bankruptcy! That's what happened to those buying stocks during the Depression

Stock Market Crash

Crowds Gather on Wall Street on Black Tuesday Oct 29/20

PROTECTIONISM

- ✦ Tariffs shut Canada out of world markets
- ✦ Exports plummeted, with serious repercussions for the economy
- ✦ Smoot Hawley Tariff Act 1930 – raised import duties, led to trade decline with Canada

Canadian International Paper Company Mill at Three Rivers, Quebec, 1930



Causes: Closure of Trade & Tariffs

- ✦ “Protective” tariffs
 - ✦ Made domestic prices cheaper than imported goods from foreign countries; other countries retaliated with their own tariffs
 - ✦ Leads to the decline in world trade (imports + exports) and turned the Depression from a crisis in the US to a global problem
 - ✦ Decline in international trade severely hurt Canada (2nd worst off in the world after US) because depended on international demand for products (wheat, newsprint etc)


DEPENDENCE ON USA

- ✦ Primary market, so downturn there affects us (reduced business, trade)
- ✦ US Federal Reserve cut money supply by 1/3 from 1930-1931 – businessmen couldn't get loans or renew old ones

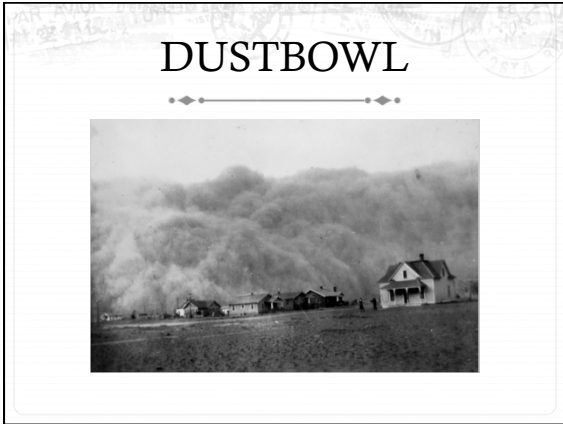
ENVIRONMENTAL ISSUES

- ✦ Poor farming practices and dry climate led to drought
- ✦ Topsoil dried up and blew away in great dust storms
- ✦ Affected "Palliser's Triangle" in Canada
- ✦ In Prairies (CAN) and Great Plains (US) known as The Dust Bowl

DUSTBOWL



Dust Clouds Rolling Over the Prairies



OTHER CAUSES

- ✦ Economic model – government not as involved so economy is slave to the markets (capitalism)
- ✦ Banking system and dropping the gold standard
- ✦ Unequal distribution of wealth – small middle class, wages not keeping pace with cost of living
- ✦ Population decline – war influenza and distractions of the Roaring 20s

Worldwide Depression


- ✦ USA suffered for many similar reasons
- ✦ France and Britain relied on German reparations to pay back their own loans to the USA
- ✦ Germany was unable to pay reparations, her economy was in ruins

Causes: World Economy Problems

- ✦ Remember Germany was supposed to pay reparations for the war?
- ✦ Germany = couldn't pay it back and it stunted their ability to recover
- ✦ Britain and France counted on the reparation money to help them get back on their feet (owed money to the US)

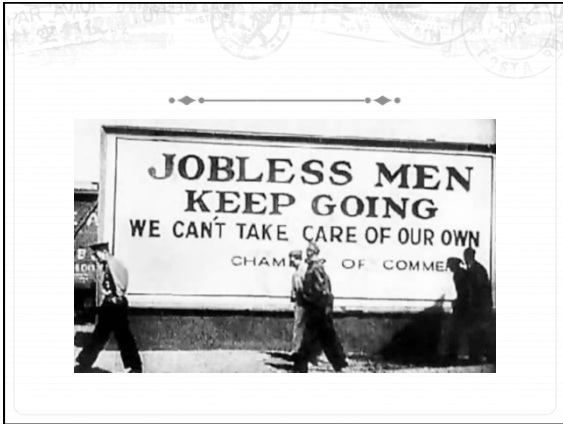
Economic Collapse

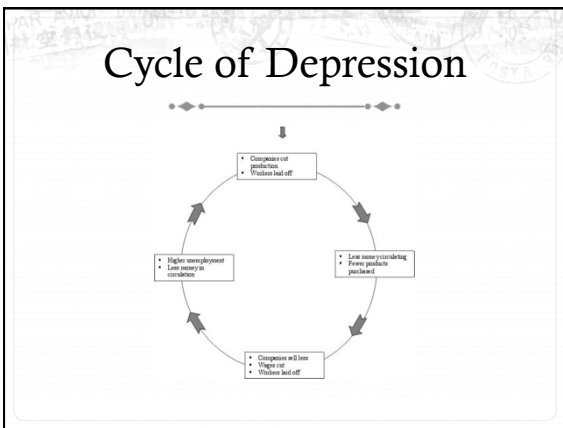
- ✦ Stock market crash didn't cause Depression – only made it worse
- ✦ Investors who couldn't repay stock debt went bankrupt
- ✦ Canada plunged into Depression - the Dirty 30s



Economic Cycle







Note: Canadian Banks

- ✦ Many banks (several thousands) across the USA had to close down = they were not able to give money back to the people who banked with them as they did not have it.
- ✦ Canadian banks survived the Great Depression because they were fewer in number and were much more conservative = did not lend out money at will; held on to money the in the banks.

The Effects

- ✦ During this time, 60% of men and 82% of women made significantly less than \$1000 a year.
- ✦ 1 in 5 Canadians (tens of thousands) became dependant on government relief (other depended on charity + food handouts) and 30% of the labour force was unemployed, whereas the unemployment rate had never dropped below 12%.

Soup Kitchens and Bread Lines



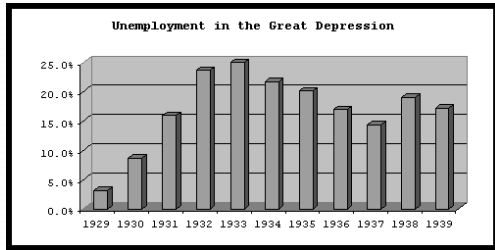
Income by Provinces

Table 8.4: PER CAPITA INCOME BY PROVINCE, 1928-29, 1933

Province	1928-29 Average Per Capita Income	1933 Average Per Capita Income	Decrease %
British Columbia	\$594	\$314	47
Ontario	549	310	44
Alberta	548	212	61
Saskatchewan	478	135	72
Manitoba	466	240	49
Quebec	391	220	44
Nova Scotia	322	207	36
New Brunswick	292	180	39
Prince Edward Island	278	154	45

Source: Board-Sims Report, Book 1, Canada: 1868-1939, 150.


Canadian Unemployment



Desperate Years

- + Some wealthy and middle-class didn't experience hardship during the Depression
- + The working class suffered the most
- + Evictions, job loss, loss self respect
- + Thousands lived on "pogey" - relief from government - difficult to receive - long line ups, proof of financial failure
- + Offered vouchers for food purchases if granted "pogey"
- + Private charities offered support through soup kitchens
- + For some the economic hardships were humiliating and unbearable
- + Winter 1933 - 25% of the workforce was unemployed
- + Homeless men crisscrossed the country on the rails looking for work





✦ Unemployment victims during the Depression resorted to the soup kitchens like this one in Montreal in 1931, operated by voluntary and church organizations. After a meal, most people returned to the alleyways, parks, or flop-houses for the night (National Archives of Canada/PA-168131)

The Unemployed: Riding the Rails

✦ The men of many families chose to become transient and "Ride the Rails" or "Riding the Rods" in search for work in the west.

✦ They often frequented soup kitchen, bread lines, and "lived in the jungle," eventually many would work in government relief camps.




	1928-1929 Average \$ per Capita	1933 \$ per Capita	Percentage Decrease
Canada	471	247	48
Saskatchewan	478	135	72
Alberta	548	212	61
Manitoba	466	240	49
British Columbia	594	314	47
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Ontario	549	310	44
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The Disadvantaged

- + Minorities
- + Women were accused of contributing to the Depression by taking work away from the men
- + First Nations were offered minimal relief and were expected to live off the land
- + Chinese population (Vancouver) suffered from starvation and only after deaths did the Provincial Government show concern
- + Immigrants were viewed with hostility – Competition for jobs
- + Jews in particular – anti-Semitism – denied access to jobs and clubs

Women and Children

Dorothea Lange's *Migrant Mother* depicts destitute pea pickers in California, centering on Florence Owens Thompson, age 32, a mother of seven children, in Nipomo, California, March 1936



The Unemployed: No Immigration

- + Canada's immigration policy was highly restrictive = Closed Door Policy

Effect on Minorities



- + Women
 - + Few jobs
 - + Blamed for "taking the jobs" of men after the war
- + Aborigines
 - + On relief
 - + Got \$5/month
 - + Expected to "live off the land"
- + Immigrants
 - + Viewed with hostility when competing for scarce jobs
 - + Jewish people (anti-Semitism) not allowed to work particular jobs/barred from organization/club
 - + Deported
 - + Immigration stopped (restricted)

R. B. Bennett

A Prime Minister's Role during the Great Depression

Social effects

- ✦ “pogey” - government relief payments given to those with no source of income (like welfare)
 - ✦ Hard to get: people waited in line for hours and then had to declare financial failure.
 - ✦ They had to swear they didn't have anything of value and prove they were being evicted from their homes.
 - ✦ They would then receive vouchers for food, which wasn't enough to cover expenses.
 - ✦ This was a humiliating process
- ✦ Private charities provided food and clothing (ex. soup kitchens)



https://www.youtube.com/results?search_query=cinderella+man+movie+and+unemployment
<https://www.youtube.com/watch?v=K0B7YK4U0>

Who to Blame?

- ✦ PM King unprepared to solve economic problem
- ✦ Thought Depression temporary – passed on responsibility to municipal & provincial governments
- ✦ Many Municipalities were bankrupted
- ✦ Mackenzie lost election to R.B. Bennett (Conservative) in 1930

Blame game

- ✦ Mackenzie King was PM when the Depression hit (he thought the situation would correct itself)
- ✦ King, in a moment of stupidity, promised not to give “a five-cent piece” of relief to a province with a Tory (Conservative) government


Introducing R.B. Bennett


- ✦ In the next election, 1930, R.B. Bennett became Prime Minister
- ✦ Bennett gave the provinces \$20 million for work-creation programs, but this didn't improve the economy
- ✦ Bennett then raised tariffs
 - ✦ Other countries did the same, so we couldn't sell our goods
 - ✦ Our economy continued to suffer
- ✦ People were still jobless and homeless
- ✦ Bennett feared a revolution would start by Communists, so he banned the Communist Party

Introducing R.B. Bennett

Relief Camp in British Columbia

- ✦ The federal government created work camps for unemployed and single men
 - ✦ Known as relief camps
 - ✦ Projects include building roads, clearing land, and digging ditches
 - ✦ Paid 20 cents a day





Unemployed protest: On-to-Ottawa trek

- ✦ 1935: 1000+ men left relief camps in B.C. in protest against camp conditions
- ✦ Met together under the Relief Camp Workers Union, and decided to take their complaints to Ottawa
- ✦ This began the 'On-to-Ottawa Trek'