

Great Depression in Canada

Gale Canada in Context, 2013

The Great Depression, which began on October 24, 1929 with the infamous "Black Thursday" stock market crash, severely crippled the [global economy](#). However, few countries were as adversely affected by the Great Depression as [Canada](#). In addition to the economic fallout of the sharp drop in the stock market, Canada saw major declines in its gross national product (GNP), imports, exports, and wage levels, and these problems were compounded by a prolonged period of severe [droughts](#) and pest infestations that crippled the country's food production capabilities beginning in the summer of 1930. This confluence of events resulted in a severe economic slump adversely affecting millions of people, from which the country would not emerge until the end of the [1930s](#).

Causes of the Great Depression

Though the [1920s](#) are typically remembered as a decade of prosperity, the reality is that the decade saw a series of "boom and bust" cycles that foretold the fragility of the global economy. However, Canada's economy was buoyed by a boom in resource development and trade during the latter half of the 1920s, and it was not until the 1929 stock market crash that people paid attention to the reality of the country's economic situation. **Historians and economists have debated the root causes of the Black Thursday crash for decades, but it is generally ascribed to wild and careless stock speculation, an overproduction of consumer goods, an overall decline in international trade, and the emergence of economic protectionism and tariff implementation.** With the [United States](#) having emerged as Canada's most important economic partner, the devastated American economy meant serious trouble for Canada.

The Droughts of the 1930s

In the immediate aftermath of the stock market crash, the price of wheat experienced a dramatic decline; at one point, the value of wheat was less than the value of wheat seeds. Making matters worse, the summer of 1930 brought drought conditions that lasted throughout the decade. Dust storms, lack of rain, and pest infestations effectively reduced the once-fertile prairies to empty wasteland. Many farmers abandoned their fields and moved to the hard-hit cities in search of work.

Poultry and livestock production was also adversely affected by the droughts. The dry, dusty conditions led to a grasshopper infestation; chickens and turkeys ate the insects, which gave their eggs and meat an unusual and unpleasant flavour. Hay production was slowed to a trickle by the harsh conditions, and there simply wasn't enough food available to support livestock.

A comparison of pre- and post-stock market crash economic statistics reveals the severity of the devastation. In 1928, farm incomes in Canada's prairie provinces totalled 363 million dollars; by 1932, Canada's farms were "in the red," losing more than 10 million dollars a year. Agriculture exports in 1928 brought 783 million dollars into the country; by 1932, that figure had fallen to just 253 million.

Effects of the Great Depression

In the aftermath of the stock market crash, American investment in Canada dried up significantly, and trade between the two countries slowed to a trickle. The United States sought to protect its domestic economy by adding tariffs to Canadian imports, and Canada responded by doing the same. However, since Canada's economy was heavily dependent on exports to the United States, the protectionist measures further weakened Canada's already ravaged economic fortunes. Between 1929 and 1932, the value of lumber dropped by 32 percent, and the value of cattle plummeted by 63 percent. Canada's pulp and paper industry teetered on complete collapse, and sharp declines in its lumber and cattle exports compounded the severity of the crisis.

Though the people of the Canadian prairies endured the worst suffering, things were bad from coast to coast. Nationwide unemployment rates hovered around 30 percent for the duration of the crisis, and 20 percent of Canadians became dependent on government handouts and charitable donations of food and clothing in order to survive. Regional unemployment rates were higher; in Windsor, Ontario, approximately 50 percent of the workforce went jobless. Unemployment rates for laborers in the Canadian Maritimes broke the 60 percent mark.

Political Response to the Economic Hardship

Initially, Prime Minister William Lyon Mackenzie King attempted to control the crisis by balancing the nation's budget and dramatically reducing spending. However, this approach proved insufficient to address the gravity of the situation, and King was defeated in the 1930 federal election by Richard Bedford Bennett, in large part because Bennett won widespread support in rural areas of the country on his election platform, which promised relief. Upon taking power, Bennett implemented the Unemployment Relief Act, which gave millions of dollars in aid to the cities and regions that were particularly affected. However, by 1938, relief efforts across the country totalled approximately \$1 billion, a staggering amount that the crippled economy was simply unable to absorb. By that time, King had retaken power and the country began to emerge from its prolonged slump.

In 1932, Bennett established what he called "unemployment relief camps," which offered single, homeless men the opportunity to work in exchange for food, shelter, and a modest stipend. While the plan was initially met with enthusiasm, working conditions proved extremely harsh, leading to growing discontent among the labourers. In 1935, workers marched out of a British Columbia labour camp, intent on marching to Ottawa to face Prime Minister Bennett in person. Known as the "On to Ottawa Trek," the march was stopped in Regina, Saskatchewan, by the Royal Canadian Mounted Police. The showdown erupted into violence; when the dust settled, two men were dead, hundreds were hurt, and the city of Regina had suffered tens of thousands of dollars in damage. Known as the Regina Riot, the incident has since become one of the most infamous events in the history of Canadian labour.

Predictably, the economic hardship also opened the door to the rise of political radicalism. At the extreme end of the spectrum, communism and fascism managed to gain a minor foothold in Canada, and growing racial intolerance led to the arrival of the Ku Klux Klan. Feeding off growing sentiments among voters that conventional political parties were failing, alternative political parties, including the Cooperative Commonwealth Federation, the Social Credit Party, and the Reconstruction Party, grew at rapid rates. Of these, only the Social Credit Party made major gains, earning a majority government in Alberta during the 1935 provincial election.

The Legacy of the Great Depression

Though Canada began to emerge from the long shadow of the Great Depression in 1938, the economic crisis was not fully eviscerated until the outbreak of World War II in 1939. Following the end of World War II, Canada's economy entered a new period of prosperity. Not only did the country make a full recovery, but it began to grow at unprecedented rates.

However, the Great Depression left behind a political, economic, and social legacy that is felt to current times. Prime Minister Bennett introduced reforms including personal income taxes, and checks and balances on banking and big businesses, both of which remain in place. Government health insurance, unemployment insurance, minimum wage rates, and regulation of the length of the workday were also created during the Great Depression, as a direct response to economic and labour conditions. These measures continue to form a vital part of the Canadian social "safety net" and were a shaping force in the contemporary relationships between the economy, the state, and its citizens.

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