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The Great Depression in Canada

10-13 minutes

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(This is the full-length entry about the Great Depression in Canada. For a plain-language summary, please see [Great Depression in Canada \(Plain-Language Summary\)](#).)

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Causes of the Great Depression

Economists still debate whether a specific event, such as the 1929 Wall Street stock market crash, sparked the Great Depression. However, there is consensus that the Depression was the result of widespread drops in world commodity prices and sudden declines in economic demand and credit. These factors led to rapid declines in global trade and rising unemployment.

In Canada, the changes were dramatic. Between 1929 and 1933, the country's Gross National Expenditure (overall public and private spending) fell by 42 per cent. **By 1933, 30 per cent of the labour force was out of work. One in five Canadians became dependent upon government relief for survival. The unemployment rate remained above 12 per cent until the start of the Second World War in 1939.**

Did you know?

Economists distinguish between depressions and recessions based on the length and severity of the decline. A recession usually lasts less than one year. When it lasts longer and the economic decline is severe, it can be called a depression. Though there is no strict definition of a depression, it is generally a long period of mass unemployment, falling prices and low incomes. A persistent lack of confidence in the future of the economy also marks such a downswing.

Uneven Burden on the Country

Several key factors aggravated the Depression's effects in Canada. Different regions of the country were impacted to different degrees. The country's social-welfare structure proved woefully inadequate. And government attempts to address problems through policy proved misguided.

A third of Canada's Gross National Income came from exports.

Therefore, the country was hit hard by the collapse in international trade. The four western provinces depended almost exclusively on primary-product exports. They were therefore the most seriously affected.

The economic problems were made worse on the Prairies by years of drought. Plagues of grasshoppers and hailstorms also caused huge crop failures. Saskatchewan experienced the lowest price for wheat in recorded history. The province's income plummeted by 90 per cent within two years. Sixty-six per cent of the rural population was forced onto relief. The other western provinces were technically bankrupt from 1932 onwards.

Ontario and Quebec also experienced heavy unemployment. However, they were less affected because of their more diversified industrial economies. Both provinces produced goods and services for the protected domestic market. The Maritimes had already entered into severe economic decline in the 1920s and had less distance to fall.

The burden of the Depression was also unequally distributed between classes. Although wages dropped throughout the 1930s, prices declined even faster. As a result, the standard of living of property owners and those with jobs increased. Farmers, young people, small businessmen and the unemployed bore the brunt of economic hardship.

Impact on Population

Demographic changes were a revealing index of hardship in Canada. Immigration and birthrates plummeted. Population growth throughout the 1930s reached the lowest point since the 1880s. The number of immigrants accepted into Canada dropped from 169,000 in 1929 to fewer than 12,000 by 1935. It never rose above 17,000 for the remainder of the decade. During that time, European Jews fleeing Nazi Germany were denied sanctuary in Canada. (See also: Refugees; MS St. Louis). The number of Canada's deportations rose from fewer than 2,000 in 1929 to more than 7,600 just three years later. Almost 30,000 immigrants were forcibly returned to their countries of origin over the course of the decade, primarily because of illness or unemployment.

Canada's birthrate dropped from 13.1 live births per 1,000 in 1930 to only 9.7 by 1937. This was the lowest ratio until the 1960s. During the 1930s, 50 years of urbanizing momentum were reversed. Canada's rural population (outside of Saskatchewan) grew more rapidly than its urban population. For many of the unemployed, "going back to the land" was preferable to a miserable existence on urban relief.

Government Aid Efforts

Canada did not have an adequate system of dispensing welfare to the jobless. Although unemployment was a national problem, the federal government refused, for the most part, to provide work for the jobless. This was equally true under Conservative Prime

Minister R.B. Bennett (1930–35) as it was under his Liberal predecessor and successor W.L. Mackenzie King (1921–26; 1926–30; 1935–48). Instead, they insisted that caring for the public was a local and provincial responsibility. King, who was prime minister when the Depression started, was reluctant to even acknowledge the economic crisis. This stance led to his defeat at the hands of Bennett in 1930. (King and his Liberals were re-elected in 1935.)

Federal reluctance to tackle unemployment contributed to fiscal collapse in the four western provinces and in hundreds of municipalities. It also led to a haphazard, low standard of care for the jobless. Monthly relief rates for a family of five varied from \$60 in Calgary to \$19 in Halifax. Although there were no official accounts of starvation, reports of scurvy and other diet deficiency diseases were common throughout the decade.

Local governments refused to aid single, homeless men. Between 1932 and 1936, the federal government established unemployment relief camps. Run by the Department of Defence, the camps paid the men a meagre \$0.20 a day for construction work in the bush. In 1935, a protest against conditions in the camps culminated in the Regina Riot. This was Canada's most violent episode of the Depression. One policeman was killed, dozens of men were injured and 130 people were arrested. It was followed by the similar Bloody Sunday confrontation in Vancouver on 19 June 1938. (See also: On to Ottawa Trek.)

Changed Political Landscape

The Depression changed the way Canadians thought about the economy and the role of the state. The prevailing opinion was that a balanced budget, a sound dollar and changes in the trade tariff would allow the private marketplace to recover. This view was shared by both the Bennett and King governments and most economists.

A variety of political reform movements arose in response. These occurred particularly at the provincial level, which advocated the use of the state to initiate recovery. The reforms included the inflationary Social Credit theories of Alberta Premier William Aberhart, the "Work and Wages" program of British Columbia Premier T. Dufferin Pattullo, and the democratic socialism of J.S. Woodsworth and the Co-operative Commonwealth Federation (CCF). The Union Nationale in Quebec, led by Maurice Duplessis, H.H. Stevens's Reconstruction Party and the New Democracy movement of W.D. Herridge were also triggered by the Depression.

The Communist Party of Canada was virtually outlawed from 1931 to 1936. Nine of the party's leaders were arrested and convicted under the Criminal Code for being members of an "unlawful association." The party was banned when the Second World War was declared in 1939. However, affiliated groups played a significant role in organizing the unskilled and the unemployed in protest marches and demonstrations. These groups included the Workers Unity League, the League for Social Reconstruction, the Relief Camp Workers Union, Jeune-Canada and the National Unemployed Workers Association.

Government Intervention

The national impact of these organizations was minimal. However, the Depression did result in an expansion of state responsibility for the economy and social welfare. In 1934, Bennett's government passed the Bank of Canada Act. This established the Bank of

Canada in 1935. The bank was charged with regulating monetary policy. Also in 1935, the Canadian Wheat Board was created to market and establish a minimum price for wheat. In 1940, the federal government assumed responsibility for the jobless by introducing a national unemployment insurance scheme and employment service.

The Depression also legitimized the economic theories of British economist John Maynard Keynes. He argued that, if private investment failed to produce full employment, the state must initiate public investment through deficit spending to create jobs. Keynes's ideas influenced the National Employment Commission report (1938) and the report of the Royal Commission on Dominion-Provincial Relations (1940). The latter was important in generating the idea of equalization payments from Ottawa to the provinces.

Not until war broke out in 1939, however, did Keynesian economics become a deliberate part of government policy. The massive state expenditures necessitated by the war finally reduced unemployment to minimal levels by 1942.

See also: History Since Confederation; Business Cycles; Bennett's New Deal; Industrialization in Canada.