

## **Chapter 5: The Great Depression (pgs. 139 -186)**

- A dramatic change in society from the 1920's to the 1930's.
- Canada and the rest of the World would experience the "*Great Depression.*"

### **The Business Cycle:**

- Economic conditions are constantly changing, this called the **BUSINESS CYCLE**.
- There are good times and bad times.
- Has **FOUR STAGES:**

#### **1. PROSPERITY:**

- Prices and wages are high.
- Low unemployment.
- Lots of profits and production is high.
- People willing to take risks.
- This is what life was like in the 2<sup>nd</sup> half of the 1920's.

#### **2. RECESSION:**

- Business slows down.
- Layoff workers and cut production.
- Unemployment rises.
- Less money to spend or invest.
- Sales begin to fall.

#### **3. DEPRESSION:**

- Recession continues.

- Layoff of more people.
- Unemployment very high.
- Bankruptcy.
- Stock Market Crash.
- Sometimes only hits a low point called a **TROUGH**.

#### 4. **RECOVERY:**

- A shortage of consumer goods develops because of the cutbacks in production.
- Production increases, more money to spend.

### **The Great Crash:**

- People had money to invest, bought **STOCKS** and celebrated their good fortune as **STOCK PRICES** soared in the late 1920's.
- The stock prices were artificial. **Why???**
- *Answer:* bought on **CREDIT**.
- The bubble burst on **OCT. 29, 1929**. This day known as **BLACK TUESDAY**.
- The stock market crash undermined the confidence in the economy.
- It led to the **GREAT DEPRESSION:**
  - People lost millions.
  - It was the worst business slump in American history.
  - By 1932, about 85,000 American businesses had failed.
  - Unemployment rocketed from 3.2% in 1929, to 23.6% in 1932.

### **Causes of the Great Depression:**

#### 1. **OVER-PRODUCTION and OVER-EXPANSION:**

- Every industry was expanding during the 1920's.
- There were high stockpiles of everything – food, newsprint, minerals, etc...
- Factory owners began to panic and slowed production.
- Also lay off workers, thus less money to spend.
- Wages were simply not high enough for people to buy all the products turned out by factories.

## 2. CANADA'S DEPENDENCE ON A FEW PRIMARY PRODUCTS:

- Canada's most important export is its **STAPLES** – wheat, fish, minerals, and pulp and paper.
- As long as World demand for these products was strong, Canada would prosper.
- Economy in serious trouble, if there was surplus of staples in the World or people stopped buying them.
- Maritimes (**fish**) and the West (**wheat**) were really hit hard.

## 3. CANADA'S DEPENDENCE ON THE U.S.:

- Our economy was closely linked to the U.S.
  - Bought 65% of our imports from the Americans.
  - 40% of our exports to the Americans.
- The U.S. replaced Britain as our main important trading partner.
- When the Stock Market crashed, it affected us as well.

## 4. HIGH TARIFFS CHOKED OFF INTERNATIONAL TRADE:

- Countries placed protective tariffs to protect their home industries from foreign competition.
- Thus trade between nations began to slow down around the World.

## 5. TOO MUCH CREDIT BUYING:

- “Buy now, pay later.”
- Many families got themselves hopelessly into **DEBT** with credit buying.
- If wage earner became sick or was laid off work, impossible to keep up payments.
- As the depression worsened, many people lost everything.

## 6. TOO MUCH CREDIT BUYING OF STOCKS:

- The Stock Market seemed an easy way to get rich quickly.
  - “Everyone doing it.”
  - Did not have money to play the Stock Market, you bought stocks on credit.
  - As soon as your stocks went up in value, you could sell them.
  - It was a risky process called “**BUYING ON MARGIN.**”
- At first, few people thought that the devastating economic times around the corner.
  - But slowly, it began to dawn on them that hard times were upon them.
  - The **GREAT DEPRESSION** had begun.

## The Great Escape:

- In other words, people looked for a way to forget their hardships.
- Examples:

### 1. **Film:**

- 1930’s known as the “*Golden Age*” of Hollywood.
- Films, radio shows, songs, and magazines of those days provided a brief escape from reality.

- "Gone with the Wind, Mickey Mouse, Superman," and King Kong all came from this period.
- A lot of Canadian movie stars.

## 2. Radio:

- People gathered around the radio in the living room to listen to popular programs before there was T.V.
- Jack Benny, George Burns, and the Lone Ranger.
- Because there was so much American shows on Canadian radio, the P.M. at the time, created the **CRBC**: (*CANADIAN RADIO BROADCASTING COMMISSION*).
- Eventually this became known as the **CBC**: (*CANADIAN BROADCASTING CORPORATION*).
- Radio created a sense of "**National Unity**" in Canada.

## 3. Newspapers:

- Downplayed the harsh conditions people experienced.
- Devoted a lot of their spaces to human interest stories.
- Such as:
- **DIONNE QUINTUPLETS:**
- 5 identical girls born in Ontario in 1934.
- Annette, Emilie, Yvonne, Cecile, Marie were the 1<sup>st</sup> quintuplets to survive in the world.
- They became a major tourist attraction and millions flocked to see them.

## RIDING THE RAILS

- People were living in extreme poverty and found ways to cope
- People migrated to find work, moving from rural areas to urban centers
- Other people stayed home and took wage cuts to hold on to their jobs, or grew their own food to survive

- Men and women “rode the rails” in search of employment
- Desperation led Canadians to travel the country for work
- Refer to page 151-152 Canadian History for the map and personal stories
- Many people pooled their resources to share a room in the cities (pic 152)
- Many ended up living in shanty towns (pic 152)
- Thousands of families were forced from their homes to find work (pic 152)
- They travelled across the country and were also known as hobos or transients
- Many did not find work and continued to live in poverty resorting to begging and panhandling
- Travelling on the rails was illegal and could be dangerous
- They created their own code to communicate with each other

### **Conclusion:**

- It was during the Depression that the idea of the **WELFARE STATE**, took root in Canada.
- This was the belief that society should support its citizens to prevent extreme economic hardships.
- Today, there is unemployment insurance so that no one suffers severe hardship because a job is not available.
- People over 65 years of age are provided with pensions and injured workers receive compensation.
- But in the 1930's, these reforms had not yet taken hold and political solutions were not enough to end the Depression.
- The Depression was ended by W.W.II.
- The outbreak of war in 1939 provided jobs for many in the armed forces and in the factories providing war munitions.