



Causes of the Depression

The 1920s were characterized by increasing optimism. Many people saw their **standard of living** rise and assumed their prosperity would continue to grow. Standard of living is usually measured by the kind and quality of goods and services available to a group of people. Not all groups of people and not all regions participated equally in the prosperity. First Nations, Métis, and Inuit peoples, as well as Atlantic Canadians, did not see an increased standard of living. Nevertheless, the standard of living for many Canadians increased in the 1920s.

However, many people borrowed too much money. For example, farmers sometimes borrowed heavily to purchase new machinery, assuming they could pay their loans back with a continued increase in the price of wheat. Unfortunately, European countries, which had been importing much of Canada's wheat, began to struggle with their wartime debts. Some found they could no longer import as much wheat or other consumer goods. Demand and prices for wheat dropped quickly. With their income falling, farmers—at that time 30 percent of the population—stopped buying new goods, such as tractors and appliances. As the demand for goods dropped, people who manufactured the goods began to lose their jobs and then they, too, could no longer afford to purchase new items.

As the economy slowed, banks and companies that had loaned people money began to demand repayment. Some people began selling their stocks to repay their debts. On Tuesday, October 29, 1929—a day known as Black Tuesday—stock prices around the world dropped sharply. People panicked and rushed to sell their stocks, sometimes for less than they had paid for them. Analysts estimate that Canadian stock exchanges lost \$1 million every minute the stock exchanges were open that day.

Many people lost their life savings and could not repay their loans. Companies went out of business and people lost jobs by the thousands.

Canada was not the only country hurt by the Depression. The United States, Great Britain, Japan, and many other countries also experienced a major economic downturn. Some countries set or increased tariffs in an effort to protect their own businesses and producers from having to compete with those of other nations. Foreign tariffs hurt the Canadian economy because 80 percent of Canada's farm, forestry, and mining products were exported to other countries.



Figure 11-4 The front page of the *Toronto Daily Star* on Black Tuesday. Although there were slight rallies in the stock market after the crash, the markets were not to recover until the Second World War.



1. The stock market crash of 1929 is generally seen as the immediate cause of the Depression. However, the crash was far from the only cause. Create an organizer to summarize the causes of the Depression described on pages 318 to 319. Leave space on the right side of your organizer to capture the consequences of the Depression. As you read the rest of this section, record direct and indirect consequences.
2. In 2008, the world again experienced an economic decline that many analysts have compared to the Great Depression. Research the causes and consequences of the 2008 financial crisis and compare them to the Great Depression. What similarities and differences do you find?