

Causes of the Great Depression

1. Too much credit buying

- Many Canadians were encouraged to “buy now, pay later”
- With interest payments, the items ended up costing far more than they were worth
- If the payments were not kept up, the items could be repossessed
- Some people lost their stoves, washing machines, cars, and even their homes

2. Too much credit buying of stocks

- In the 1920's the stock market seemed like an easy way to get rich
- High feelings of confidence
- \$100 down payment could buy \$1000 worth of stock
 - very risky - “buying on margin”
- **Oct 29th, 1929 “Black Tuesday”** - the stock market crashed
- Shareholders lost millions

3. Over-production and over-expansion

- With the high level of prosperity in the 1920's, more factories were built
- This caused many production items to become stockpiled
- In 1930, 400 000 cars were produced
 - the most cars sold in 1 year was 260 000
- As the economy slowed, production slowed, and workers were laid off

4. Canada's Dependence on a few primary products

- Canada's most important exports were: wheat, fish, minerals, and pulp/paper. If world demand for these items was strong, the country would prosper
- As economic troubles spread around the world, the demand for Canadian raw materials slowed
- Areas of the country which depended on one primary industry were affected the most- prairies (wheat) & maritime (fish)
- A drought in the summers of 1929, 1931, 1933-37 destroyed the wheat industry
- With less raw materials being produced, secondary industries were then effected

5. Canada's dependence on the United States

- In the 1920's, 65% of imports came from the US
 - ▶ 40% of exports went to the US
 - ▶ 60% of foreign investors were American
- ▶ If the American economy slowed, so did Canada's economy
 - ▶ "When the United States sneezed, the rest of the world got pneumonia."

6. High tariffs choked off international trade

- European countries recovering from the war needed North American goods
 - ▶ unfortunately these countries had limited financial resources
- In order to protect home industries, many countries had high tariffs
- As the world economy slowed, Canadian surplus goods could not be exported