

Causes of depression and stock market crash in the '20s and '30s

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In the early twentieth century Canada's economy was strongly tied to farming and natural resources such as wheat, fish, minerals and pulp and paper. Most of these goods were exported to other countries, and as long as the world demand was high, Canada prospered. As the future would show, however, the economy's dependence on such a narrow range of goods was very risky. In the late 1920's several other countries, such as Australia and Argentina, greatly increased their wheat production and caused a surplus on the world market. The competition drove prices lower. Then in October 1929, the stock market collapsed, and then so did many peoples' and companies' fortunes. Without cash, products could not be bought; this drove demand even lower. Besides wheat, sales of fish dropped dramatically as well. To compound the problems caused by dropping prices and fewer sales, Canada entered a period of severe drought. This extended drought combined with poor farming practices resulted in large crop failures during the early 1930s; large areas of the prairies were a "dust bowl". Without the income from wheat sales, the farmers were not able to pay the mortgages on their farms, nor buy equipment and machinery or other manufactured goods from eastern Canada. Many lost their farms and had no other way to make a living. This was the Great Depression, and it was not restricted to the wheat farmers or maritime fishing industry. The rest of Canada followed suit, because secondary industries that depended on the health of the farming/fishing industries suddenly saw the demand for their goods drop dramatically as well, or they couldn't get the supplies they needed to produce their products. Without wheat, flour mills and bakeries couldn't operate, trains/ships had nothing to ship. Without fish, the canning industry

had nothing to package. Many people became unemployed, which meant they couldn't afford to buy anything except the bare necessities, and so almost all industries experienced greatly reduced demand, and many went out of business. It took an increased demand for other goods to break the vicious cycle and slowly get people back to work. Had it not been for the economy's reliance on only a few resources, the Great Depression would not have been so severe. Having markets for many different crops would have kept the economy going and avoided a lot of hardship.