

Canada and The Depression.

The boom and prosperity of the 1920's was followed by the bust and despair of the depression. This end of economic boom came as a surprise to many Canadians. The social and economic changes played a key role in the future decades.

1. **Stock Market Crash.** The most important reason was the lack of regulation of the stock Market. Several factors led to the Stock Market Crash
 - a. **Practice of buying on "Margin".** Investors bought shares with only 10% down payment. It was assumed that when prices of the stock increased (as they had for the past years) that the remaining 90% would be paid.
 - b. **The rush to get rich quickly meant the stocks were priced higher than their real value.** Some investors started to sell their stocks in order to get high profits. Others followed their lead. Sellers panicked and price of stocks dropped dramatically.
 - c. **People could get loans for stocks easily and with the instability the banks called in the loans.** Anyone who borrowed money became bankrupt overnight or many had a lower net worth.
 - d.
2. **Loss of Canada's key export market.**
 - a. **Canada's market was dependent on exports to the US.** As economy deteriorates the American gov't responds with higher tariffs. This further hurts Canada's exports. This affects all main key sectors that generated economic boom. This decline produced the Great Depression.
 - i. **Pulp and paper production decreased** from \$150 million in 1929 to \$67 million in 1933.
 - ii. **Base Metal production fell** from \$97 million to \$32 million
 - iii. **Automobile sector decline.** Number of passenger cars built in Windsor declined from 188,000 cars in 1929 to 47,000 cars in 1933.
 - iv. **Business investment dropped.** Total business investment of 1932, 1933, 1934 combined was less than any single year between 1927-29