Causes of the Great Depression

Over expansion and over production by Canadian industries.

Many companies had been started to meet the pent-up demand for consumer goods in the 20's, and produced vast quantities of goods. The demand was quickly satisfied, but the companies continued to produce materials resulting in a glut of consumer goods. Factory owners slashed prices, reduced production, and laid off workers in an attempt to gain control of the situation. However, with fewer people working, spending on consumer goods slowed even more, causing the situation to worsen.

Over dependence on primary industries (fishing, farming, lumber, mining.)

These industries produce the raw materials for secondary industries. When demand for consumer goods dropped the need for raw materials also fell. Prices dropped to record lows, and people working in these industries were let go. In western Canada the situation for farmers was made worse by terrible droughts and a grasshopper plague. The loss of income at the primary level had a ripple effect on the rest of the economy.

Protectionism and Tariffs.

Many countries raised the taxes on imported goods (called tariffs) in an attempt to protect their own workers. This made the Canadian goods more expensive and less competitive, and demand for them fell. The loss of international markets along with a weak domestic market caused many companies to fail.

Too much credit buying

Many Canadians bought goods on credit, receiving their merchandise and paying for it over time. The problem arose when people over-extended themselves - going deeply into debt, without the means of paying it back. This situation was made even worse when they lost their jobs. When consumers failed to pay back their loans the stores went bankrupt; when stores failed to pay their suppliers those suppliers also went bankrupt, and their employees lost their jobs, and the cycle continued.

The Stock Market Crash

During the boom of the 20's the stock market rose rapidly, and investors of all sizes entered the market. Many investors bought stocks on credit ("buying on margin"), believing that the value of the stocks would rise and could be sold for a profit before their loans came due. This was risky in a rising market, but disastrous if the market fell. In September of 1929, the stock market slumped and nervous investors began selling their stocks. This caused the prices to fall even more, and a panic ensued. On October 29th, 1929 the market crashed - in the matter of a few hours most stocks fell to a fraction of their value, wiping out the fortunes of investors big and small. Perhaps the greatest impact of the crash was psychological - people lost confidence in the economy and fear was widespread, influencing the purchasing and investing for many years to come.