I. Brazil
   A. Economic Context of the 1920’s
      1. The 1840 to 1930 period also saw an appreciable but irregular expansion of light industries, notably textiles, clothing, food products, beverages, and tobacco. This expansion was induced by the growth in income, by the availability of foreign exchange, by fiscal policies, and by external events, such as World War I. Other important factors were the expansion of transportation, the installed capacity of electric energy, increased urbanization, and the formation of a dynamic entrepreneurial class. However, the manufacturing growth of the period did not generate significant structural transformations.
      2. Economic growth in the nineteenth century was not shared equally by the regions. Development and growth were concentrated in the Southeast. The South Region also achieved considerable development based on coffee and other agricultural products. The Amazon Basin experienced a meteoric rise and fall of incomes from rubber exports. The Northeast continued to stagnate, with its population living close to the subsistence level. Throughout the years between 1889 and 1930 the center of the Brazilian economy moved south and southwest due to the march of coffee, as planters found it cheaper to break new ground than to recycle the plantation soils whose yields were decreasing. As a result, a path of abandoned plantations stretched from Rio de Janeiro and Minas Gerais down into the vast interior of São Paulo.
      3. The Brazilian economy grew considerably in the second half of the nineteenth century. Coffee was the mainstay of the economy, accounting for 63 percent of the country’s exports in 1891. However, sugar, cotton, tobacco, cocoa, and, at the turn of the century, rubber were also important. During the first three decades of the twentieth century, the Brazilian economy went through periods of growth but also difficulties caused in part by World War I, the Great Depression, and an increasing trend toward coffee overproduction. The four-year gap between the time a coffee tree is planted and the time of the first harvest magnified cyclical fluctuations in coffee prices, which in turn led to the increasing use of government price supports during periods of excess production. The price supports induced an exaggerated expansion of coffee cultivation in São Paulo, culminating in the huge overproduction of the early 1930’s.

   B. Social Context of the 1920’s
      1. Economic development in the late nineteenth century had created an urban proletariat in three or four major cities. The first organization of workers came in the form of mutual-aid societies, which did very little. They were superceded by the far more militant anarchist and anarcho-syndicalist organizations in the early
1900’s. In the 1910’s these unions stages various strikes, including several attempts at a general strike. However, these were readily repressed, the foreign-born leaders deported while the native ones were jailed, beaten, and harassed. By 1921 the organized urban movement was in ruins. In later years social welfare laws were passed to placate the masses, but Brazilian workers had far fewer organizing rights and welfare provisions than others workers in Latin America. One reason was the continuous labor surplus in Brazil, especially in unskilled and semiskilled labor. As anarchist and anarcho-syndicalist organizations declined due to repression, they were often replaced by communists, whose Brazilian party was founded in 1922. The communist presence furnished a new target for civil and military authoritarians, and by 1930 urban labor, although steadily increasing in economic importance, had no mainstream political representation.

2. The late nineteenth and early twentieth centuries also saw European, Japanese, Syrian, and Lebanese immigration. Most Europeans, approximately a third of the total, came from Italy. First the state of São Paulo and then the national government initiated programs that attracted millions of European immigrants, especially during the last quarter of the nineteenth century. However, the relative size of the immigrant population never reached the same levels as in Argentina. After 1900 immigration gradually declined. The long-term effect of this wave European newcomers was, ironically enough, not beneficial to the economy: albeit ample labor was available in the center of the country and in the Northeast, where the number of jobs had fallen disproportionately behind the increase in workers, the Brazilian government paid for the transatlantic passage of millions of Europeans because the prophets of progress presumed that due to their racial superiority they would be better workers and future citizens. In the meantime, Brazilians from Minas Gerais, Rio de Janeiro, and the Northeast could not afford to pay their way South to fill in the labor demand. The jobs held by transplanted Japanese, Syrians, and Europeans could have been held by a Brazilian from an economically moribund region, which in the long run would have boded better for the national economy.

3. Brazil remained an elitist society much like the rest of Latin America, with the traditional oligarchy and burgeoning peasantry. Substantial social change would arrive in the wake of the Second World War: the large-scale expansion of the industrial sector due to the reduced supply of foreign manufactured goods, as well as the introduction of heavy industries like steel and automobile production eventually created an industrial and technocrat elite and sped up the rate of urbanization, which nonetheless lagged behind the rest of Latin America.

C. Political Context of the 1920’s

1. The 1920’s were the last decade of the Old Republic (1889-1930). The first civilian president, Prudente de Morais, had gained stability for his regime at the expense of recognizing the legitimacy of the entrenched oligarchy in each state. The constitutional decentralization created by the First Republic allowed several states with dynamic economies, especially São Paulo, to gain self-sufficiency and autonomy over their own development.
2. Starting with the presidency of Hermes da Fonseca (1910-14), the “politics of the governors” is challenged by bitter battles within the political elite in many of the smaller states. The lines of conflict often followed prerepublican patterns of family and class struggles. The president worsened the situation by sending federal troops to the aid of the dissidents who were battling the incumbent machine. The system continued to function, at least formally, until October 1930: the official presidential nominees, endorsed by their predecessors, were invariably elected, and the federal Congress remained under the control of the state machines.

3. But by the 1920's the political structure of the Old Republic had become targets of criticism from various factions. Amongst these was a new generation of the elite, most of whom were educated as lawyers, who denounced as corrupt the way politicians were running the republic and accused the republican founders of imposing a liberalism for which the country was unprepared. They advocated a careful analysis of where Brazil stood economically, politically, socially, and intellectually. Aside from these intellectuals, there was also discontent amongst the younger army officers. There was a series of barracks revolts in 1922 and 1924 led by tenentes. The rebel officers in the 1924 revolt fled into the interior and held out for two and a half years as guerrillas. Their political program advocated fair elections and honest government, along with attention to the nation’s social needs; it also focused on professional military concerns—anachronistic training, poor prospects for promotion, and indifference from civilian government. A third faction was the Democratic Party, founded in São Paulo in 1926. This current of democratic liberalism as defined in the European classical sense represented the urban professionals and wanted what the European bourgeoisie had achieved in the nineteenth century: political power through an electoral system that gave them a major role in government.

D. Political Leadership of the 1920’s

1. Epitacio Pessoa is president from 1919 to 1922.
2. Arthur Bernardes is president from 1922 to 1926.
3. Washington Luis is president from 1926 until he is deposed in 1930.

E. Immediate Economic Impact of the Depression: The Great Depression of the 1930’s had a severely negative effect on Brazil’s exports, whose value fell from US$445.9 million in 1929 to US$180.6 million in 1932. The price of coffee in 1931 was at one third of the average price in the years 1925-29. In addition to the decline of export receipts, the entrance of foreign capital had come to almost a complete halt by 1932. The decline of export earnings and the large amounts of foreign exchange needed to finance the country’s external debt, not counting the remittances of the profits of private entities, forced the government to take some drastic actions. In August 1931, it suspended part of the foreign debt payments and introduced foreign exchange and other direct controls of imports. Combined with a devaluation of the currency, which increased the price of imports, these controls caused a decline of imports from US$416.6 million in 1929 to US$108.1 million in 1932.

F. Immediate Social Impact of the Depression: Unlike the United States, which was accustomed to prosperity and for the first time saw alarming numbers of unemployed
and homeless persons, Brazil has a tradition of social injustice much like the rest of Latin America. Therefore the depression merely added to an accumulation of social problems that neither the populist Vargas nor his republican predecessors were willing to address. It did however, disgruntle the elite because foreign investments were affected and the demand for Brazilian exports decreased. This fueled their discontent to the extent that they supported Vargas and joined with the military to depose Washington Luis and thereby end republican rule.

G. Immediate Political Impact of the Depression
1. Despite the economic crisis President Washington Luis clung to a hard-money policy, which in effect meant guaranteeing the convertibility of the mil reis, the Brazilian currency, into gold or British sterling. Instead of this course of action, which resulted in the rapid exhaustion of the gold and sterling reserves and forced the government to suspend convertibility of the mil reis, the government should have immediately frozen all transactions. But they were left in a deepening balance-of-payments crisis, and the growers could not sell their harvest.

2. Given the importance of coffee to the Brazilian economy, one might expect the government to have stepped in immediately. However, it tried to please foreign creditors by maintaining convertibility, one of the principles dictated by foreign bankers and economists who set the tone for the relation of Brazil and other Third World countries with the world economy. This policy had no support from any sector of Brazilian society.

3. Washington Luis did not last out his term: the top military commanders in an opposition movement centered around Getulio Vargas deposed Washington and passed power to Vargas as president of a provisional government. Vargas achieved power only because the military intervened in a conflict within the national political elite that was venturing on armed warfare. After Washington had been deposed, some senior officers wanted to retain power themselves, but mobilization of the Liberal Alliance forced the three commanders to pass power over to Vargas after only four days.

4. Vargas held the post of provisional president for four years. Since there was no legislature, he governed by decree. Vargas established the Estado Novo, which failed to solve national social and political problems but sped the country along the path of industrialization.

H. Political Leadership of the 1930’s
1. The decade of the 1930’s was a period of interrelated political and economic changes. The decade started with the 1930 revolution, which abolished the Old Republic (1889-1930), a federation of semiautonomous states. After a transitional period in which centralizing elements struggled with the old oligarchies for control, a coup in 1937 established the Estado Novo dictatorship (1937-45).

2. To a large extent, the revolution of 1930 reflected a dissatisfaction with the political control exercised by the old oligarchies. The political unrest of the first half of the 1930’s and the 1937 coup were influenced strongly by the onset of economic problems in 1930. The coffee economy suffered from a severe decline in world demand caused by the Great Depression and an excess capacity of coffee
production created in the 1920’s. As a result, the price of coffee fell sharply and remained at very low levels. Brazil’s terms of trade deteriorated significantly.

3. Vargas was a strong leaders who strengthened his own network of political allies and collaborators. He also ushered in greater centralization, replacing the governors in all the states except Minas Gerais with interventors who reported directly to him. Battles later ensued over state autonomy as the president struggled to reduce the size of the state militia. Such activism from the central government threw the state political machines off balance and gave benefit to the dissenting factions, many of which had supported Vargas during the 1930 election. The 1932 armed attempt by the paulistas discredited the cause of decentralized government and strengthened the Rio de Janeiro centralists.

I. Political Policies in Response to the Depression and their Results

1. The 1930’s saw a change in the role of government. Until then, the state acted primarily in response to the demands of the export sector. During the first half of the decade, it was forced to interfere swiftly in an attempt to control the external crisis and to avoid the collapse of the coffee economy; government leaders hoped that the crisis would pass soon and that another export boom would occur. However, with the magnitude and duration of the crisis it became clear that Brazil could no longer rely solely on exports of primary goods and that it was necessary to promote economic diversification. During the Estado Novo, the government made initial attempts at economic planning, and in the late 1930’s began to establish the first large government enterprise, an integrated steel mill.

2. The World War II period saw mixed achievements. By the late 1930’s, coffee production capacity had been reduced drastically, the worst of the external crisis had passed, and the Brazilian economy was ready to grow. However, the war interfered with development efforts. Output increased mainly through better utilization of the existing capacity but, except for the steel mill, there was little industrial and infrastructure investment. Thus, at the end of the war Brazil’s industrial capacity was obsolete and the transportation infrastructure was inadequate and badly deteriorated.

J. Economic Policies in Response to the Depression and their Results

1. The external difficulties had far-reaching consequences. The government was forced to suspend part of the country’s debt payments and eventually to impose exchange controls. Excess coffee production led to increasing interventions in the coffee market. The state programs to support coffee prices went bankrupt in 1930. Since at the beginning of the depression coffee accounted for 71% of total exports, and exports, in turn, stood at about 10% of GDP, the government’s main concern was to support the coffee sector. The steep decline of world demand for coffee brought along by the depression also coincided with a huge coffee output, which was the result of plantings that had taken place in the 1920’s. In order to protect the coffee sector, and thus the economy, from the full impact of the decline of world coffee markets and prices, the federal government, through the National Coffee Council, bought all coffee, destroying large quantities that could not be stored. Central government intervention provided support to the coffee
sector and, through its linkages, to the rest of the economy.

2. Government protection of the coffee sector also included measures to help debt-plagued agricultural producers by having the government pay off the debt, thus creating new money and enabling the debtor to postpone payments.

3. Despite the economic difficulties, the income maintenance scheme of the coffee support program, coupled with the implicit protection provided by the external crisis, was responsible for greater industrial growth. Initially, this growth was based on increased utilization of the productive capacity and later on moderate spurts of investment. The initial import-substitution industrialization that occurred especially during World War I did not lead to industrialization; it became a process of industrialization only in the 1930’s.

4. The curtailment of imports and the continued domestic demand resulting from the income generated by the coffee support program caused shortages of manufactured goods and a consequent rise in their relative prices. This acted as a catalyst for a spurt of industrial production. In fact, the growth was so pronounced that industry for the first time became the economy’s leading sector, responsible for an early general recovery from the impact of the World Depression. By 1931 industrial production had fully recovered from a decline that started in 1928, and in the following years it more than doubled. Especially noteworthy by 1939 was the rapid growth of production of such sectors as textiles (147% larger than in 1929), metal products (almost three times larger than in 1929), and paper products (almost seven times larger than in 1929).

5. Before 1930 the Brazilian economy was dominated by a number of agricultural and mineral products for export. The world economic depression of the 1930’s encouraged the government to diversify the economy, particularly through industrialization. The state has led much of this development, through economic plans and government participation in key sectors of public services, such as electricity, telephones, and postal services. At the same time, it has also encouraged foreign investment in areas such as automobile manufacturing, engineering, and the production of electrical goods. As a result, the importance of agriculture and mining in output and trade has fallen significantly.

K. Social Policies in Response to the Depression and their Results: Social policy instituted in the 1930’s were not so much a direct result of the Depression as they were part and parcel of Vargas’s original liberal populist plans and, later on, one more method of exerting control and maintaining a voting base among the urban proletariat. Vargas introduced advanced social legislation including minimum wages and a social security system, but the new laws applied only to a part of the urban working population, and there were never enough funds to implement them because employers had many ways of getting around regulations; as a result, many of Vargas’s reforms remained only a matter of façade. He also increased the number of jobs (especially government-dependent ones) and made public employment accessible to legions of persons lacking traditional patronage connections, but these jobs did not pay well and were sought mainly for the various social benefits that accompanied them, such as tenure—a situation that forced public servants or functionaries to supplement their income with additional jobs, or with bribes. In the
Vargas era there was some improvement in the economic situation of some Brazilians, but more than half of the population still remained below the poverty line.

II. Canada

A. Economic Context of the 1920’s: Canada suffered a depression in the early 1920's which brought high unemployment and a reduction in union membership; labor unrest has more or less ceased by 1921 as the unions collapse. However, following this period of economic misery the situation began to improve, and before the Depression hit in 1929 Canadian industry and farming were once again in a healthy state. The automotive, paper, and mining industries were particularly successful. Welfare provisions were generous, with old age pensions introduced by the federal government and most provinces introducing a compulsory minimum wage. By 1929 unemployment was running at 3%.

B. Social Context of the 1920’s

1. Participation in the First World War encouraged a sense of Canada as a nation independent from Great Britain. Both social reformers and women’s activists had made inroads. Immigration became more restricted as anti-foreigner sentiment and war-time hostilities asserted themselves. In the 1920's some provinces even took the first steps towards becoming welfare states. By 1921 the size and distribution of Canada’s population had changed dramatically from 1891. In contrast to the West’s very low population density in 1891, the Prairie provinces in 1921 held a significant share of the nation’s population. Although Ontario and Quebec were still the most populous regions, the population of the West had grown exponentially during the settlement era.

2. By 1921 Canadian society was much more secular and better educated than in 1911. More Canadians lived in incorporated towns and cities than in 1891. In the West urban centers remained linked to agriculture and the growth of cities depended on the growth of farming pursuits. Manufacturers remained based in eastern Canada because of lower production costs. The east also had an excess of cheap labor, cheap power sources, an abundance of mineral resources and the transportation facilities to make production. By 1921 the only western cities with populations over 25,000 were Winnipeg, Vancouver, Victoria, Regina, Saskatoon, Edmonton, and Calgary.

3. Overall, between 1911 and 1921 the number of farms in Canada continued to increase. The prospects of farming, however, were quickly dampened in the 1920's. Farming costs rose over these years, and therefore profits and real wages dropped. Bad weather, fluctuating yields, and poor prices on world markets also hurt Canadian agriculture. The 1920's also witnessed the beginning of serious droughts on the southern prairies.

C. Political Context of the 1920’s: The Canadian Liberal Party was founded in 1867. After 1867 although the provincial reform parties dominated local politics in several provinces, they had problems establishing a viable national party. The only Liberal prime minister in the first three decades after Confederation was Alexander McKenzie. The lack of a strong base in Quebec hampered national Liberal party efforts. However, opposition in Quebec to the execution of French-Canadian rebel
Louis Riel, and the success of Wilfrid Laurier in moderating the traditional anticlericalism of the Quebec Liberal party, paved the way to national success. As prime minister at the turn of the century, Laurier provided the model for future Liberal party successes by forging a broad coalition based on an English-French alliance that appealed to middle-class interests. For most of the 20th century, the Liberal party dominated Canadian politics. William Lyon Mackenzie King’s long tenure as Liberal prime minister during most of the 1920’s, 30’s, and 40’s successfully encompassed the diverse and sometimes contradictory interests of a wide English and French constituency.

D. Political Leadership of the 1920’s: The presidential election of 1921 brought the Liberals into office under a new leader, William Lyon Mackenzie King. Because the government had a bare majority, it depended upon the support of the Progressive (Farmer) party members. After four years of timid Liberal leadership, a new election strengthened the Conservative representation but not quite to the point of giving the party control of Parliament. This was accomplished in 1926, when a scandal in the Department of Customs and Excise cost the Liberals their majority in the House. By political shrewdness, however, King forced Arthur Meighen’s second government to go to the people for an election within a matter of days; and the Liberals were once more returned to power.

E. Immediate Economic Impact of the Depression

1. The Great Depression caused Canadian workers and companies great hardship. Prices deflated rapidly and deeply. Business activity fell sharply. There was massive unemployment—27% at the height of the Depression in 1933. Many businesses were wiped out: in Canada, corporate profits of $396 million in 1929 became corporate losses of $98 million in 1933. Between 1929 and that year, the gross national product dropped 43%. Families saw most or all of their assets disappear. Governments around the world, including Canada’s, put up high tariffs to protect their domestic manufacturers and businesses, but that only created weaker demand and made the Depression worse. Canadian exports shrank by 50% from 1929 to 1933.

2. While all of Canada suffered greatly, the regions and communities hit hardest were those dependent on primary industries such as farming, mining and logging, because commodity prices plummeted around the globe. Thus, the three Prairie provinces, where the wheat economy collapsed, and the municipalities where mining and logging were a mainstay saw the greatest decrease in per capita income between 1928 and 1933.

3. The economy began to recover, slowly, after 1933. However, the Depression did not end until 1939, when the outbreak of the Second World War created demand for war materials. Many factors are believed to have caused the Great Depression. Speculation on the stock markets drove share prices to inflated levels, and the bubble burst when stock markets collapsed in the autumn of 1929. Consumer spending dropped, even though prices had been falling. Canada was suffering a trade deficit. Nature was also working against many Canadian farmers, as a devastating drought on the Prairies wiped out wheat crops.
4. Few countries were affected as severely as Canada by the Depression. It is estimated that between 1929 and 1933 Gross National Expenditure declined by 42%, by the latter year 30% of the labor force was unemployed, and one in five Canadians became dependent upon government relief for survival. Until WWII the unemployment rate never declined below 12%. The Depression’s severity was aggravated by its uneven impact, a rudimentary social-welfare structure and misguided government policy.

5. Because 33% of its Gross National Income derived from exports, Canada was particularly affected by the collapse in world trade. The four western provinces, which depended almost exclusively on primary-product exports, were the most affected. In Saskatchewan, plagued by crop failures and the lowest price for wheat in recorded history, total provincial income plummeted by 90% within 2 years, forcing 66% of the rural population onto relief. The other western provinces were technically bankrupt from 1932 onwards. Although Ontario and Québec experienced heavy unemployment, they were less severely afflicted because of their more diversified industrial economies, which produced for the protected domestic market. The Maritimes had entered into severe economic decline in the 1920’s and had less distance to fall.

F. Immediate Social Impact of the Depression

1. For an unemployed individual during the depression there were no jobs and for those that had a job there was a high chance that it could be lost. Further there was little income from the majority of jobs. Tens of thousands of people were dependent on government relief, charity and food handouts for daily survival. Parents found it difficult to keep young children in school because they were needed on the farms to bring in as much goods as possible. University students were also dropping out all over the country because tuition was too much to pay. Homeworkers had to find part time jobs to make ends meet.

2. The burden of the Depression was also unequally distributed between classes. Although wages dropped throughout the 1930’s, prices declined even faster. As a result, the standard of living of property owners and those with jobs increased. Farmers, young people, small businessmen and the unemployed bore the brunt of economic hardship.

3. Demographic changes were a revealing index of hardship. Population growth throughout the 1930’s reached the lowest point since the 1880s through a combination of plummeting immigration and birthrates. The number of immigrants accepted into Canada dropped from 169,000 in 1929 to fewer than 12,000 by 1935 and never rose above 17,000 for the remainder of the decade. During that time European Jews fleeing Nazi Germany were denied sanctuary in Canada. The number of Canada’s deportations, however, rose from fewer than 2000 in 1929 to more than 7600 just 3 years later. Almost 30,000 immigrants were forcibly returned to their countries of origin over the course of the decade, primarily because of illness or unemployment.

G. Immediate Political Impact of the Depression: Much like Hoover in the United States, the Canadian government was slow in its reaction to the economic crisis. The economic prosperity that fueled the preeminence of conservative politics during the
Jazz Age in the United States gave a majority to the Conservative party in the 1930 Canadian election. But in the mid-1930’s, at the height of the Depression, Bennett’s political demise seemed inevitable. Seeking to reverse the tide running against his party, in January 1935 he began a series of live radio speeches outlining a New Deal for Canada. It promised a more progressive taxation system, a maximum work week, a minimum wage, closer regulation of working conditions, unemployment insurance, health and accident insurance, a revised old-age pension and agricultural support programs. Taken together the eight pieces of legislation enacted by Bennett’s government were the Canadian version of Roosevelt’s New Deal and constituted the principal attempt made by the Dominion Parliament to cope with the economic and social problems disclosed by the Great Depression. Nevertheless, Bennett lost the October 1935 general election.

H. Political Leadership of the 1930’s: The first signs of the Depression were evident by the 1930 election, when Conservative candidate R.B. Bennett campaigned on a platform of aggressive measures to combat it. Upon winning the election, Bennett was true to his promise and immediately allocated $20 million towards helping the unemployed.

I. Political Policies in Response to the Depression and their Results
   1. The Great Depression was a turning point for Canada. Before 1930, the government intervened as little as possible, believing the free market would take care of the economy, and that churches and charities would take care of society. But in the 1930’s a growing demand arose for the government to step in and create a social safety net with minimum hourly wages, a standard work week, and programs such as healthcare and unemployment insurance. The Depression also led governments to be more active in regulating the economy. It brought about the creation in 1934 of the Bank of Canada, a central bank to manage the money supply and bring stability to the country’s financial system. The world’s severely restrictive trading policies during the Depression were opened up by international treaties such as the General Agreement on Tariffs and Trade (GATT).

   2. Conservative politics did not condone government interference in business practices or social welfare. Bennett did attempt to strengthen Canadian trade by initiating preferential tariffs, but this did nothing to help declining exports. By 1932, unemployment was so high that Bennett brought in the Relief Act which established camps to provide unemployed single men with a subsistence living. Relief for unemployed families was administered on a municipal level. Attempts by Bennett to coordinate welfare on a federal and provincial level were rejected by the provinces.

   3. By 1933, the Depression was at its worst and Bennett's government appeared indecisive and ineffectual. Dissension was widespread throughout the party and Cabinet due to Bennett’s inability to delegate authority. He held the portfolios for finance and for external affairs, and his failure to consult with Cabinet angered his ministers. One in particular, Henry Stevens, openly rebelled. His insistence that the Conservatives adopt a radical platform of political and social reform caused a rift in the party. Stevens eventually resigned and formed a new, but short-lived political entity, the Reconstruction party.
4. Influenced by Roosevelt’s New Deal, Bennett proposed a new platform of government policy in 1935, announced to the nation in a series of radio broadcasts. Abandoning his previous policies, Bennett advocated minimum wage, health and unemployment insurance, government regulation of banking and trade, and other social reforms. But it was too late; Bennett and his party were too closely associated with the hardships of the Depression. In the October 1935 election, the Liberal party won under the leadership of Mackenzie King.

J. Economic Policies in Response to the Depression and their Results
1. The Depression altered established perceptions of the economy and the role of the state. The faith shared by both the Bennett and King governments and most economists that a balanced budget, a sound dollar, and changes in the tariff would allow the private marketplace to bring about recovery was misplaced. The Depression spawned a variety of political reform movements, particularly at the provincial level, which advocated the use of the state to initiate recovery. The reforms included the inflationary Social Credit theories of Alberta Premier William Aberhart, the Work and Wages program of British Columbia Premier T. Dufferin Pattullo, and the democratic socialism of J.S. Woodsworth and the Cooperative Commonwealth Federation. The Union Nationale in Québec, led by Maurice Duplessis, H.H. Stevens’ Reconstruction Party and the New Democracy movement of W.D. Herridge were also spawned by the Depression.

2. The Communist Party of Canada was virtually outlawed from 1931 (when nine of its leaders were arrested and convicted for being members of an “unlawful association”) until 1936, and banned when war was declared in 1939, although affiliated groups such as the Workers’ Unity League, the Relief Camp Workers Union and the National Unemployed Workers Association played a significant role in organizing the unskilled and the unemployed in protest marches and demonstrations.

3. Although the national impact of these organizations was minimal, the Depression did ultimately result in an expansion of state responsibility for the economy and for social welfare. In 1934 Bennett’s government created legislation to establish the Bank of Canada to regulate monetary policy; in 1935 the Canadian Wheat Board was created to market and establish a minimum floor price for wheat; and in 1940 the federal government assumed responsibility for the unemployed by introducing a national unemployment insurance scheme and employment service.

4. The Depression also legitimized the economic theories of British economist John Maynard Keynes, who argued that, if private investment failed to produce full employment, the state must initiate public investment through deficit spending to create jobs. Not until war broke out in 1939, however, did Keynesian economics become a deliberate part of government policy, and it was the massive state expenditures necessitated by the war that finally reduced unemployment to minimal levels by 1942.

K. Social Policies in Response to the Depression and their Results
1. With almost 33% of its gainfully employed still engaged in agriculture in 1931, Canada did not have an adequate system of dispensing welfare to the jobless. Although unemployment was a national problem, federal administrations led by
the Conservative R.B. Bennett (1930-35) and the Liberal W.L. Mackenzie King (from 1935 onwards) refused, for the most part, to provide work for the jobless and insisted that their care was primarily a local and provincial responsibility. The result was fiscal collapse for the four western provinces and hundreds of municipalities and haphazard, degrading standards of care for the jobless. Monthly relief rates for a family of five varied from $60 in Calgary to $19 in Halifax. Although there were no official accounts of starvation, reports by medical authorities of scurvy and other diet deficiency diseases were common throughout the decade.

2. Because local governments refused to aid single, homeless men, between 1932 and 1936 the federal government established unemployment relief camps. Run by the Department of Defense, the camps paid the men twenty cents a day for construction work in the bush. In 1935 a protest against conditions in the camps culminated in the Regina Riot—the most violent episode of the 1930’s, in which one policeman was killed, dozens of men were injured, and 130 arrested.

3. In response to calls for government intervention to provide income security, the Employment and Social Insurance Act was passed in 1935. It paid minimum weekly wages, based on earnings, to certain unemployed people. But the Act was short-lived. Just months after it was passed, newly elected Prime Minister Mackenzie King referred the Act to the courts. He argued that it was unconstitutional, saying such a program was under provincial jurisdiction. Both the Supreme Court of Canada and the Privy Council in Britain agreed, and struck down the Act. The government amended the Constitution and in 1940 passed the Unemployment Insurance Act, which came into effect on July 1, 1941. By that time, income security was not as crucial: the Second World War had created more than one million jobs. The Unemployment Insurance Act was intended to temporarily help people who were between jobs. This compulsory system applied mainly to blue-collar workers. The scheme was to operate just like any other kind of insurance, such as life or fire insurance. Premiums and benefits were to be carefully calculated. The Act created the National Employment Service to help the unemployed find work.