

Chapter 7

Trial of Nationhood: The Great Depression and the War (1929–1945)

Canada Comes of Age

Canada came of age in the period bracketed by the two world wars. The country's experience defied a simple characterization in the 1920s. A boom in certain sectors of the economy and an expanding middle class seemed to suggest that Canada was healthy and forward looking. Yet large numbers of Canadians, especially laborers and small farmers, scrambled to obtain essentials and agitated for increased rights by striking or participating in the political arena. In addition, Canada used its impressive wartime contribution as leverage to secure more control over its foreign policy. As the country incrementally pulled away from the British Empire in terms of trade, investments, and policies, it drew closer to the American economic and cultural orbit. Canada's largest trading partner by the end of the 1920s was the United States, and the country's traditional reliance on British investments to supplement its economic growth was shifting to American dollars.

The next two decades illuminated the implications of this changing relationship. An economic downturn, the deepest depression in Canada's history, strained the country's international relationships



Canadian soldiers arriving aboard a troopship for training in Britain, probably taken in 1940.

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and created untold misery for its citizens. The contest between governments gained momentum during the Great Depression as the balance of powers shifted from Ottawa to the provinces. Caught up in the whirlwind of dramatic changes and relatively protected in North America by two oceans and a powerful southern neighbor, Canada in the 1940s would essentially reach full national status. The victory that followed another global conflict, this one even more horrific in magnitude than the Great War, was mitigated by another conscription crisis and the restriction of rights for certain ethnic groups. In the early Cold War years, Canadians would come to grips with their new status as a major world player as they grappled with the frightening prospect of international conflict in the nuclear era. From the collapse of the stock market in 1929 to the raging Cold War of the late 1940s, Canada endured a trial of nationhood.

A Global Depression

A series of jolts in the American stock market beginning in October 1929 kindled an economic collapse that reached far beyond the confines of New York, but it was not the only cause of the Great Depression in Canada. The country's economic growth after the war was born largely of export industries and the rise of consumer markets for items, such as automobiles and refrigerators, which an expanding middle class desired. Foreign trade and investment accounted for about one-third of Canada's income in the late 1920s. Many industries that forged the boom were entirely or partially owned by Americans. Stock prices reached exorbitant levels in Montreal and Toronto, just as they had in New York, driven by the unbounded enthusiasm of investors. Similarly, real estate and land speculation swelled. Exporters, particularly in wheat, increasingly pooled their produce and waited for the most favorable market prices to make their sales. Canada's growing reliance on trade with the United States and investment capital from Americans linked the country's economic fate to its neighbor's. As an old saying goes: when the United States sneezes, Canada catches cold. The events that followed the stock market collapse of 1929 illustrated the popular expression's wisdom. Although depressions had been a cyclical

feature of economic life for Canadians as capitalism became entrenched, the magnitude of this downturn surpassed the others. Before the Depression's veil was lifted by the onset of another global war, Canadians would have spent a decade coping with the grisly realities of life during the "Dirty Thirties."

Within a year of the stock market crisis, Canada as well as a host of other countries interlinked by trade, markets, technologies, and investments, was mired in a depression. Prices declined sharply, foreign orders for Canadian minerals, wheat, and newsprint plummeted, and the country's trading partners erected high tariff barriers to protect their own industries. Virtually every economic monitor pointed to a shattered economy. The staggering statistics of the economy's free fall from 1929 to the mid-1930s, the Depression's nadir, would fill volumes. The country's national income decreased by almost one-half in those years. In the same period, the income generated by its crucial export industry dropped by about two-thirds. All sectors of the economy were hurt by the Depression: industry, banking, transportation, service, mining, forest products, fishing, and farming. All of the country's regions suffered, although some historians argue that the Maritimers were partially cushioned from trauma because their economy had been lagging since the dominion's creation. Perhaps they had less of a distance to fall in the deteriorating economy of the early depression years.

No other section of the country was hit harder than the prairies. The economic problems, coupled with dramatic climatic conditions and regular visitations by swarms of crop-devouring pests, created a disastrous scenario in Canada's grain belt. The fate of Saskatchewan's farmers during the depression became perhaps the starkest example of the misery inflicted during the Dirty Thirties. A relatively prosperous breadbasket in the 1920s, Saskatchewan experienced a farm income decline of about ninety percent in the space of several years. A series of severe droughts from 1933 through mid-decade, coupled with high winds, created the infamous dust bowl that reached from Texas to the Canadian prairies. Once-fertile topsoil, now bone dry, was picked up and swirled about. Some of the Depression's most alarming images were captured by the cameras of Canadians and Americans during the dust bowl years.

The shattering of Canada's economy, from Vancouver to Halifax, heralded difficult adjustments for virtually all of the country's

inhabitants. The international scope of the collapse led to a profound loss of confidence in capitalism. With a crisis of such magnitude, Canadians looked to their federal and provincial governments for support and strategies to find their way out of the quagmire.

Governmental Responses to the Depression

Mackenzie King's government had been in power for most of the 1920s when the Depression hit. Like other government leaders, including U.S. President Herbert Hoover, King believed that the downturn was more political than economic in nature and that it would not last long. In one of his most famous utterances, he called the events a "temporary seasonal slackness." In fact, the Liberal government had made little progress in the 1920s to provide support for farmers and working people. The most significant piece of legislation in the category of social assistance was the Old Age Pension Plan, passed in 1927, which committed the government to paying half of a modest pension for people over the age of seventy. With that single legislative exception noted, Canada greeted the Depression without a substantial safety net of relief agencies for its citizens. A plan to have the federal government provide unemployment relief was decreed inappropriate by the Privy Council in 1925, thereby leaving the responsibility in provincial hands.

As unemployment mounted dramatically, Canadians turned to their communities and provincial governments for assistance. The magnitude of the crisis rapidly depleted provincial relief agencies, and in a much regretted and endlessly repeated comment, King declared in the House of Commons that he would not give "a five cent piece" from federal funds to help out Conservative provincial governments. Although he was specifically referencing the Tory provincial government in Ontario in his declaration, Canadians widely interpreted King's observation as proof of his insensitivity and lack of understanding of the despondency that people were already experiencing. Indeed King's actions, including cutting expenditures and balancing the budget, tended to aggravate the situation. With the country's economy spiraling downward while the prime minister made the situation worse, the time appeared ripe for the Conservatives to recapture the federal government.

Taking the lead in the 1930s elections was a feisty New Brunswick-born millionaire, Richard Bedford Bennett. A successful lawyer and businessman who had made his wealth in Calgary, Bennett deeply criticized the Liberals' inability to fix the Depression malaise. "Bonfire Bennett," as he was dubbed, effectively used the relatively new medium of radio to spread his message throughout the land. By promising to use protective tariffs to "blast" Canada out of the depression, a tactic used by economic nationalists in other countries, the Conservatives handily won a government that would be in power until 1935. The vanquished King noted in his diary that Bennett had made promises he could not keep and that the Conservative government would unravel under the strain of the Depression. On more than one occasion, King's predictions proved insightful. This was one such moment.

To his credit, Bennett worked tirelessly. He took on the responsibilities of several cabinet positions, including the external affairs portfolio. His stringent monetary policies guided his first years as prime minister. Following the lead of other nations, Canada raised tariffs in the early 1930s, which unfortunately served to deepen the Depression because so much of Canada's economy had relied on export trade. Tariffs provided modest relief to Ontario and Quebec, the seat of Canada's wealth, but they did little for the rest of the country. His attempts in 1932 to create preferential tariffs among Commonwealth members failed to gather enough support among the British, although it led to some modest improvements in trading items such as wheat and forest products. Funds to assist the unemployed were generated by the Unemployment Relief Act of 1932. The federal government provided close to \$350 million for the unemployed and farmers by late in the decade, but given the magnitude of the crisis, the resources were woefully insufficient to provide comprehensive relief to a citizenry in dire straits.

Three institutions critical to Canada's economic and cultural development emerged in the traumatic depression years. During the 1920s radio became a popular and accessible form of entertainment for Canadians, as it did throughout the Western world. While radio stations spread across the country, most Canadians lived close enough to the U.S. border to receive their neighbor's transmissions. Many Canadians preferred to listen to popular American programs such as *Amos 'n' Andy* and *The Jack Benny Radio Program*. The idea

of protecting Canadian-generated programs, first discussed by the Aird Commission in the late 1920s, spawned the forerunner of the Canadian Broadcasting Corporation (CBC) in 1932. The CBC was designed to provide cultural and information linkages that would span Canada's vast geographical terrain. In the 1930s *Hockey Night in Canada* with Foster Hewitt became a national fixture, combining the country's love for hockey and popular radio programming to attract a broad audience. While the power of the CBC to develop pan-Canadian cultural linkages would not come into full blossom until World War II, the impulse to use the era's dominant technology to provide a nationalistic tool to bind the country was rooted to the Depression years.

Second, the National Film Board was established in 1939 to resuscitate a fledgling Canadian film industry that had emerged in the 1920s. The explosive growth of American films presented Canadian filmmakers with a formidable challenge for survival. Making matters worse, Canadians sought employment in the world's emerging movie capital: Hollywood. The long saga of the drain of Canadian screen artists to the south began in the 1920s, starting with the irony that the great silent film star, Mary Pickford, nicknamed "America's sweetheart," was born and raised in Ontario. Legendary director Mack Sennett, another Canadian, heard Hollywood's siren song. The continuous line between Pickford and Michael J. Fox is a matter of deep concern for Canadians, who want to protect their culture and keep their talent. The creation of the National Film Board would prove to be a boon for Canadian filmmakers. It evolved into a great source of national pride when it sponsored award-winning films after World War II.

Finally, the Depression created a context for Bennett's government to establish the Bank of Canada. It began operation in 1935 as a private company but was nationalized three years later. The bank was envisioned as an overarching institution to provide a clearinghouse to regulate currency and maintain some fiscal control over other banks. These three creations, coupled with other governmental measures from the late 1910s and 1920s, demonstrated the federal government's impulse to manage banking, transportation, and cultural industries. The escalating degree of government involvement in the lives of Canadians elicited both positive reactions and angry objections. Despite the country's severe financial problems during

the Depression, the 1930s saw an increase in federally controlled organizations.

Despite his diligence, Bennett received a great deal of criticism from a broad spectrum of Canadians. Facing an election in 1935, the Bennett government unexpectedly took a cue from the Americans and introduced a legislative barrage that was designed to alleviate the effects of the Depression. The package of laws, called the “New Deal,” included measures to increase government’s control over businesses and improve the plight of workers. Bennett’s “New Deal” utterly failed to shift Canada from its predicament. Members of his own party, still deeply committed to conservative fiscal and social values, were deeply shocked by a plan that borrowed heavily from the left-leaning American Democrats. Equally important, social critics on the left considered the measures inadequate.

Stung by attacks from both political wings and now the brunt of “Bennettisms”—joke phrases wherein Canadians used his name to characterize their lives, such as “Bennett barnyards” for abandoned farms—Bennett faced the election of 1935 at a distinct disadvantage. His party lost in a landslide to the irrepressible Mackenzie King, who ran a campaign long on catchy slogans, such as “King or Chaos,” but surprisingly short on a clear scheme for tackling the depression. Bennett’s “New Deal” incentive disintegrated in the space of several years, undermined by a combination of legislative defeats and adverse court decisions. Bennett later moved to England, forever embittered that Canadians had so thoroughly intertwined the Depression’s misery with his political career. King returned to the country’s leadership in 1935 without a plan for reconstruction. In many ways, the human dimensions of the Dirty Thirties was the decade’s most compelling story.

The Human Dimension of the Great Depression

Discussions of national economies and trade tend to mask the personal costs of an international depression. The human suffering created by a collapsed export market, decimated stock values, mounting unemployment, and weather catastrophes is virtually

impossible to capture in a brief historical overview. Canada's unemployment figures reached tragic proportions. By the time the Depression reached its lowest point in 1933, more than one-fifth of the country's labor force was out of work. This needs to be considered in the light of unemployment figures that hovered in the low single digits before the 1929 crash. Particularly hard hit were industrial laborers, unskilled workers, and farmers. Regional figures in particularly depressed areas were even more dramatic. Without comprehensive unemployment protection, many Canadians were forced to turn to relief from municipalities and the provinces, as well as private charities. With their savings exhausted, thousands swallowed their pride and sought relief. They went on the "pogey," as it was bitterly called, to receive food and used clothing. The poignant stories of Canadians deeply scarred by the Depression emerged in many forms, including a rash of letters to Prime Minister Bennett from people seeking his assistance. In one such letter in 1935, an Albertan farm woman asked for a small loan from Bennett and offered her engagement ring as collateral (see "Letters from the Heartland" in the Documents section).

Growing resentment about the government's inadequacy in coping with the economic crisis merged with mounting popular fears of the growing numbers of unemployed. Many Canadians were especially concerned about young, single males, hundreds of whom were hitching rides on the railroads in a desperate search for employment. These considerations led the federal government to establish unemployment relief camps in 1932. They were run by the Department of Defence under the direction of General Andrew McNaughton, who achieved fame as a military leader and munitions expert during the Great War. Most of the two hundred camps were tucked far away from cities, women, alcohol, and the perils of radical ideologies. Men lived in military-style barracks and toiled at menial jobs clearing brush and building roads and airstrips. They earned twenty cents a day, hence the "Royal Twenty Centers" nickname. About 170,000 young men spent time in one of the relief camps in the four years of their existence. The plan to insulate the men from radical notions failed miserably, as the wretched conditions and austere lifestyle led thousands to join various communist-inspired unions to agitate for better treatment and pay. Thousands filtered from British Columbian camps to occupy public buildings in Vancouver in 1935.

Tensions mounted, leading panicky citizens to conclude that a revolution was at hand. About two thousand relief workers hopped the Canadian Pacific Railway to head east to meet with government leaders. The so-called On-to-Ottawa Trek got as far as Regina, where tempers flared and eventually degenerated into a bloody clash between the workers and police. Over one hundred trekkers were arrested, and Bennett unwisely fanned the tensions by suggesting that the protest was inspired by “reds.” The episode highlighted the class divisions in mid-Depression Canada and helped to sour many voters on Bennett’s style of governance. Despite the claims of the alarmists, the country was far from the brink of a revolution or class warfare. Nonetheless, the Depression clearly opened the floodgates for parties outside the political mainstream that appealed to Canadians on the left and the right.

Political Storms: Left, Right, and Center

Many of the ideals expressed by critics of the centralist politics of both the Conservatives and Liberals reached back into the nineteenth century. The high drama of the Depression and the failure of the two main parties to offer substantial relief and imaginative solutions to move the country beyond the crisis created an opportunity for other parties to mount formidable challenges at both the federal and provincial levels. Moreover, the Depression served to intensify the struggle between the federal government and the provinces, especially the powerful and largest provinces of Ontario, Quebec, and British Columbia. Overall, the changing political agendas during the depression helped to shift the mainstream parties to the left. They also sharpened questions regarding which powers should be controlled by the federal or provincial governments.

A mixture of laborer- and farmer-oriented leaders, many of whom had political roots in the Progressive party, met at Calgary in 1932 to address the need for substantial social and political changes in the country. An academic organization spearheaded by historian Frank Underhill, the League for Social Reconstruction, agreed to put together a comprehensive platform. The group met the following year to approve the Regina Manifesto and adopt a new name: the

Co-operative Commonwealth Federation (CCF). Boldly left leaning, inspired by social consciousness and a belief in the replacement of the capitalist system, the manifesto forwarded a socialist program for the country. It called for centralized government control over economic planning and banking, the public ownership of transportation, communication, and natural resources, and a comprehensive plan for unemployment insurance, national health care, and slum clearance. In sum, it expressed a classic socialist ideal of using the government to create a socially just and classless environment for Canadians (see “The CCF Platform” in the Documents section).

The widespread damage inflicted by the Depression meant that the party stood a good chance of capturing votes at the next election. Led by James Shaver Woodsworth, a Methodist minister and labor supporter, the party captured seven seats in the House of Commons in 1935 and thereafter became a vigorous political force in the western provinces. To many voters in Quebec and the Maritimes, the CCF was too radical. Although it never gained enough members of Parliament to lead the federal government, it undoubtedly shaped politics by promoting its social programs and ideas of the positive use of state stewardship. For example, Tommy Douglas became Saskatchewan’s CCF premier in 1944, and his government designed the prototype of national health care that the federal government adopted in the 1960s. The CCF joined other labor forces in 1961 to become the New Democratic party (NDP), the predominant leftist political organization to this day in Canada.

The Depression also prompted a global search for political panaceas, or quick and simple solutions for the complex problems of the era. The rise of Alberta’s Social Credit party provides the strongest Canadian example of this dynamic. Under the leadership of a high school principal and Baptist preacher, “Bible Bill” Aberhart, the party adopted a program developed by an eccentric Scots engineer named C.H. Douglas. The principle of social credit, rejected by virtually all contemporary economists, proposed to save the capitalistic system by having governments control prices and provide periodic payments to its citizens. Through an effective use of radio, Aberhart and his party gained control of the province in 1935. Legislative attempts to implement a monetary dividend of \$25 a month for each citizen and other Social Credit ideas were rejected by the federal government and various courts. Nonetheless, the party

remained in power for a quarter-century. Over time it migrated to British Columbia, where it evolved to become an extremely conservative party.

The Depression also provided an environment for strong, and often repressive, political behavior in other provinces. Historical inequities in Quebec, with a tradition of anglophone control over businesses and investments, reached a crescendo during the traumatic Dirty Thirties. Weaving together aspects of French-Canadian nationalism, conservative politics, Roman Catholicism, and anti-communism, lawyer Maurice Duplessis became Quebec's premier in 1936 as the leader of the Union Nationale party. A chorus of French-Canadian nationalist voices, gathering force since the appearance in the 1920s of *L'Action française*, a journal spearheaded by the cleric and historian Lionel Groulx, advocated francophone cultural survival in Duplessis's Quebec. The social messages used in campaign rhetoric swiftly disappeared, however, and under the strong arm of Duplessis, *le chef*, the Union Nationale passed restrictive laws against communists and repressed laborers and unions. Similarly, Ontario's Liberal premier, Mitchell Hepburn, used special police forces, nicknamed "sons of Mitches," to crush strikes. Ontario witnessed over one hundred strikes in 1937 alone, the most comprehensive of which involved General Motors in Oshawa. Combined, these feisty political activities in several of Canada's largest provinces mounted a formidable assault on the federal government's powers during the 1930s, especially after King's return in 1935. Thus, the Depression had yet another important impact on Canada: economic turmoil and social dislocation severely tested the federal-provincial bonds of nationhood.

In response to these problems, Mackenzie King charged a commission with making recommendations for improving governmental relations. Formally named the Royal Commission on Dominion-Provincial Relations, but popularly known as the Rowell-Sirois Commission after its key members, it reported in 1940 on the state of political affairs in Canada. Casting the report in the harsh light of the Depression and recent history, the commissioners concluded that residual powers, so clearly given to the federal government in the British North America Act in 1867, had shifted to the provinces largely as a result of court decisions. Moreover, the commissioners identified acute regional inequities and found the provinces shockingly ill

prepared to pay for social programs and education. The commission's recommendations to restore constitutional powers to the federal government, largely by having Ottawa take on provincial debts and distribute taxes to the provinces to run social services, were emphatically rejected by several provinces. World War II was underway when leaders from the federal government and the provinces met at a stormy conference in 1941. While much of the Rowell-Sirois Report was shunted aside in the heat of an intensifying war, it cast the tensions between the federal and provincial governments in sharp relief. The design of having the federal government return taxes to the provinces, usually in the form of grants, would be implemented in the 1940s. In addition, the report's message that Ottawa should have a role in maintaining a degree of social and economic equity for Canadians, independent of the relative health of the individual provinces, would come to fruition after the war.

Another Global Conflict

It is widely recognized that World War II cured the Depression. Certainly the notion holds great merit in Canada's case. Widespread human suffering, ongoing class divisions, glaring regional inequities, and political confrontations characterized a troubled decade for Canada. Events rooted to the flawed solutions for global reconstruction after World War I led to the rise of fascist and militaristic regimes in Germany, Italy, Spain, and Japan. Clashes in the Pacific and Europe gathered force in the early 1930s and mushroomed to become a global war by 1939. Once again Canadians found themselves swept up in events over which they had little control. Unlike the Great War, however, when Canada automatically found itself involved because of a decision made in Britain, this time the country would make an independent determination to join the conflict. Nonetheless, in September 1939 Canada found itself again in a war for which it was poorly prepared. The consequences of fighting World War II on the side of the victorious allies would be far-reaching. For a country crippled and humbled by the Depression, Canada remarkably became a leading economic and global power in the 1940s. World War II indeed dealt a lethal blow to the Depression; it also gave birth to the