

Chapter 22- the Roaring Twenties

Section 4- The Economy of the 1920's

Focus Question: What economic problems threatened the economic boom of the 1920's?

- I. Industrial Growth
 - A. As discussed, after World War I, agriculture and industry suffered a recession, but it did not last long.
 1. Between 1922 and 1928 industrial production recovered and many companies were able to transition from producing military goods to consumer goods.
 - B. As more goods were being produced, prices dropped and more individuals were spending money.
 1. To encourage more spending, businesses offered instalment buying.
 2. A new consumer culture arose during this period, filled with advertisements, chain-stores and mail-order catalogs.
 - C. Middle- class women were also greatly impacted by all the new consumer goods, many of which helped make housework easier.
 - D. Government policies also stimulated economic growth including imposing high tariffs on imports and cutting taxes for the wealthy to encourage more spending.
 1. This also caused Americans to become reckless about their spending, for example in 1928, a half a million people place a down payment on the new Ford Model A, without even see the car.
- II. A Booming Stock Market
 - A. With a strong economy more Americans were willing to invest in the stock market and with more people investing the value of stock increased.
 1. This period of time the stock market became known as the bull market.
 - B. Stocks became so profitable that many began, buying on margin.
 1. This was fine as long as the market continued to rise, because investors would be able to pay of their loans.
 - C. Many Americans grew wealthy from buying and selling stocks, but in 1928 economists began to worry that this may cause the market to be overvalued and eventually crash.
 1. Investors ignored these warning and instead listened to Irwin Fisher, who stated, "the nation is marching along a permanently high plateau of prosperity."

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2. The wealthiest Americans only made up 5 percent of the population.

III. Signs of Trouble

A. Farmers

1. Those who lived off the land made up about one fifth of the population and many were living in poverty.
2. There were several reasons why there was an agricultural depression, they include,
 - a) The demand for American farm products had decreased internationally.
 - b) Farmers were also in great debt, because during the war they had taken out large loans to purchase more land and new equipment, which they were now unable to pay off.

B. Workers

1. There were mixed results for workers during the 1920's
 - a) On the one hand wages increased and businesses were offering pensions and paid vacations.
 - b) On the other hand, the unemployment rate was high, it was sitting at about 5 percent of the workforce each year of the decade.
2. Skilled workers were also being pushed out the job market, because the assembly line did not require skilled workers.

IV. The Election of 1928

- A. The Republicans had held the presidency throughout the 1920's and claimed responsibility for the decade's prosperity.
- B. the Republican candidate of the election of 1928 was the Secretary of Commerce Herbert Hoover and the Democrat's candidate was Governor Alfred E. Smith of New York.
 1. Catholic, immigrants and urban residents tended to support Smith.
 2. Rural residents and Protestants generally supported Hoover.
- C. Religion and the economy became the issues of the election on the campaign trail.
 1. Hoover pledged to continue the policies that he credited to the prosperity of the decade.
- D. Smith lost every state, but Massachusetts and six Deep South states, so Hoover won with the strength of the rural areas.