**BOOM YEARS**

**CAUSES**

benefit to economy must be specific!

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|  **Government Policies** | **Corporate Capitalism** | **Post War Expansion** | **Motor Industry** |
| * 2 consecutive Republican Presidents: believed in laissez-faire (as little intervention w/ economy as possible)
* did not regulate economy
* placed responsibility for nation’s economic well-being largely in hands of corporate business owners
	+ companies given more freedom to make decisions w/o facing govt restrictions 🡪 less inefficiency
	+ devpt of huge super-corporations + trusts allowed 🡪 dominated various industries 🡪 goods made v. cheaply 🡪 more Americans can afford
* low taxes + low interest rates (Federal Reserve Board) 🡪 encouraged business owners to invest
	+ however: did not invest in economy 🡪 plowed in own company
* businesses did well 🡪 more $$ to spend (greater spending power) 🡪 more purchases 🡪 higher demand
* govt officials worked closely w/ industry 🡪 suggest industry-wide standards + promoting stable wages + prices
* protected USA industry 🡪 introduced tariffs (Forney-McCumber Tariff Act: 1922 / Hawley-Smoot Tariff Act: 1929) raise in import taxes on goods from abroad 🡪 foreign goods had to pay extra tax 🡪 USA goods cheaper🡪 encouraged to purchase 🡪 increase in amt of goods made + sold by American businesses
* HOWEVER: foreign govts placed high tariffs on American exports 🡪 hard to sell goods abroad (US businesses dependant on foreign trade suffered)
* US foreign trade cut in half by 1931
 | * large scale corporations headed by CEOs instead of individual/family run
* mergers 🡪 power mostly concentrated in 200 businesses
* scientific management + more efficient machinery + new methods of mass production 🡪 productivity rise by 40% 🡪 higher worker’s payer + corporate profits
* manufacturing output expanded 64% during 1920s
* in form of financial institutions e.g. banks
	+ enhanced role as global financial centre
	+ expansion of financial institutions + corporations 🡪 total banking assets rose from 1919: $48 billion to 1929: $72 billion
	+ almost ½ of banking resources controlled by 1% of US banks (250)
* Mergers between Wall Street Banks 🡪 New York Financial Centre
 | * post war optimism 🡪 greater willingness to buy goods
* spending of wartime savings 🡪 rampant inflation (1919: price rose 1/3) 🡪 sharp 2 year recession
* unemployment down to 10%
* prides down more than 20%
	+ smooth economy growth
	+ GDP grew by 1922: 74.1 billion to 1929: 103.1 billion
* British + German manufacturers busy making weapons, munitions + uniforms 🡪 provided little competition 🡪 American manufacturers prospered after war
	+ could only buy American goods 🡪 stimulate economy
	+ took over much of Europe’s international trade while they were busy fighting
	+ e.g. USA’s chem industry replaced German industry as world leader producing explosives, fertilisers, dyes + plastics 🡪 increased trade vol in USA
* America made huge profits selling weapons to Allies
* America made huge loans to Britain + France so they could buy weapons (from USA)
	+ USA made money on loan interest + profits from sale of equipment
 | * Henry Ford’s automobile factories 🡪 started assembly-line technique
	+ placed tools + men in sequence of operation 🡪 each component part travel least possible distance in process of being completed 🡪 much faster than having workers carry parts to stationary car model
	+ increased rate of output 🡪 decrease manual hours 🡪 reduced cost of production + manpower 🡪 supply increase 🡪 price of Ford automobiles driven down 🡪 more affordable to average american
* Mass production 🡪 cheaper + easier to manufacture than by hand 🡪 price of goods cheaper
* 1913: 12.5h/car🡪 1927: 24 secs
* lowered prices of automobiles 🡪 1920-1929: no. of Americans w/ cars increased from 8mil 🡪23 mil
	+ 1 car per 6 people (80% of world’s automobiles)
* Auto sales: 1921: 1.5mil 🡪 1929: 5mil
	+ $2.58bil earned in 1929
* stimulated other industries
* higher demand for steel, petroleum, chemicals, rubber, glass
* jobs created for 3.7mil workers
* boosted highway construction + oil industry 🡪 job creation (road building)
* caused Americans to travel 🡪 rest-stops, motels, auto-camps, tourist cabins
* greater accessibility within America: 1929: 45mil took vacations (1/3 Americans) 🡪 domestic tourists
* rural communities brought into contact w/ outside world (buy urban products e.g. radio + telephones 🡪 communication)
* many could drive around to look for work
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| **Abundance of New Consumer Products + High Demand** | **New Technology** | **Speculation in Stock Market** | **Hire Purchase System** | **Great Industrial Strength** |
| * output expanded 64%
* cars, washing machines, refrigerators, radios, stoves
* increased demand for basic materials
	+ e.g. steel, copper, chemicals, natural gas, electrical power, oil, gasoline
* scientific management + more efficient machinery + new methods of mass production 🡪 productivity rise by 40% 🡪 higher worker’s payer + corporate profits
* advertising (mail order catalogues, posters, radios, cinema commercials) 🡪 higher demand
 | * 1921: radio broadcasting
* 1922: $60mil worth of radios sold 🡪 1929: $800mil
* widespread availability of electricity supplies created demand for electrical goods
	+ e.g. vacuum cleaners, washing machines, talkies (in 1928)
 | * New York Stock Exchange
* 1928: some shares rose to 5 times original value
* stories of maids, chauffers, barbers earning millions overnight
* industries made big profits + share prices rising
* many people bought shares (thought quick profit to be made)
* on-margin buying of stocks (only need to pay 10% of cost, borrow the rest) 🡪 people of different classes speculating
* greater investment 🡪 drove up prices of shares 🡪 stock market prospered
* average American who speculated in stock market 🡪 more spending money
* benefited all industries + direct impact on average American
* extra finance for industry 🡪 helped big business expand
 | * allowed people to purchase goods by paying in weekly installments
* live on credit + owe money to banks + finance houses
* even if no money 🡪 could buy products previously out of reach
	+ e.g. cars, radios, refrigerators
* 1927: 2/3 of American cars financed through monthly payments
* consumer lending grew to $7bil a year (10th largest business in US)
* hire purchase 🡪 increased consumer spending
 | * large + growing population
	+ comprised many immigrants 🡪 hardworking, ambitious 🡪 increased productivity + boost in trade
* big market for goods being produced
* presence of raw materials needed for consumer goods
	+ e.g. steel, coal, leather, wood
	+ did not have to import from abroad
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**IMPACTS (social)**

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| **Women** | **Nativism** | **Agriculture + Textiles and Coal** |
| BEFORE WAR:Macintosh HD:Users:Nicole:Desktop:Screen Shot 2014-05-08 at 7.19.58 PM.pngMacintosh HD:Users:Nicole:Desktop:Screen Shot 2014-05-08 at 7.19.58 PM.pngDURING 1920s* Women were freer than ever before to live their own lives.
* Young, fashionable women, known as flappers, drank, smoked, dated and wore outrageous new fashions.
* Many women stopped wearing corsets, hemlines went up and hair was cut in short bobs.
* In 1920, women also gained the right to vote.
* In the 1920s, more and more women went to work, the number of working women increased by 25% to 10.5 million by 1929.
* They became financially dependent and no longer had to live at home, they could make their own decisions about how to live.
* New labour-saving devices introduced in the 1920s e.g. washing machines and vacuum cleaners 🡪 free them from domestic chores and they had more free time to engage in leisure activities.
 | * The Boom Years attracted many immigrants, seeking strike it rich
* more than 23 million immigrants
* many of them were Jews or Catholics from Southern and Eastern Europe
* mass media generally reflected the cosmopolitan values of cities
* many Americans worried that the cities, and the immigrants living there, would soon dominate the nation and its culture
* Nativist animosity fueled a new drive against immigration
* Americans determined to keep America American
* 1921 Immigration Quota Act, limited immigration from each country to 3 % of total number from each national group as represented in the 1910 Census
* In 1924 the National Origins Act, the quota was reduced to 2 percent
* later in the 1929 Immigration Act the number of immigrants each year were limited to 150,000 and people from Asia were not allowed immigration into the USA.
* Nativism also prompted the revival of the Ku Klux Klan.
	+ carried out many violent activities against people who were not "True Americans"
	+ esp terrorising blacks, Catholics, Jews
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| **Gangsters** | **Black Americans** | **Employee Benefits** | **Mass National Culture** |
| * boom in crime coincided with rising prosperity
* introduction of Prohibition in January 1920 🡪 prohibited manufacture and/or sale of intoxicating liquor.
* millions of respectable Americans who liked to drink beer, wine or spirits 🡪 forced to use illegal bars (“speakeasies”) or taverns where illicit liquor was sold
* some of this liquor was smuggled across the Canadian and Mexican frontiers
* but much of it was distilled illegally inside the USA itself
* lucrative trade of supplying liquor = against the law 🡪 soon organised by large-scale gangsters
* e.g. ‘Scarface’ Al Capone of Chicago. He bribed police and even put city officials to his pay roll
* rivals gangs in cities fought over territories 🡪 gangland killings multiplied (e.g. Chicago: 1920-1931 200+ gang members murdered) 🡪 cities like Chicago and New York bad reputations for violence and crime
 | * Macintosh HD:Users:Nicole:Desktop:Screen Shot 2014-05-08 at 7.19.51 PM.pngMacintosh HD:Users:Nicole:Desktop:Screen Shot 2014-05-08 at 7.19.51 PM.png
 | Macintosh HD:Users:Nicole:Desktop:Screen Shot 2014-05-08 at 7.21.00 PM.png | * development of a mass national culture that emphasized leisure, consumption and amusement
* development of standardized products and mass media communication 🡪 helped create a national culture
* Automobiles, paved roads, the parcel post office, movies, radios, telephones, mass-circulation magazines, brand names + chain stores 🡪 broke down the isolation of small towns and rural communities 🡪 linked America in an expanding web of national experience
* by the end of the 1920's, the nation had 23,000 theaters; movie attendance grew rapidly with 115 million Americans attending movies in 1930
* Mass- circulation magazines like The Saturday Evening Post, New Yorker, Readers Digest, Time introduced
* beginning of the new Book of the Month Club, got Americans all over the nation reading the same books.
* By 1929, 40% of all households carried radios and more than 800 stations were broadcasting under CBS or NBC.
* Millions of Americans shared similar cultural experiences.
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**GREAT DEPRESSION**

**CAUSES**

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| **Overproduction + Underconsumption** | **Great Crash** |
| * mass production 🡪 goods produced quickly in large amts
* however market 🡪 becoming saturated
* cars, radios, vacuum cleaners + other consumer goods 🡪 once bought 🡪 demand fell
* factories forced to produce fewer goods 🡪 cutting back on workforces
* 1927 starting: Americans spent money at faster pace than incomes had risen
* ran short of cash + credit 🡪 spending declined
* inventories piled up 🡪 1928: factories begun cutting back production + laying off workers 🡪 reinforced slowdown
	+ housing construction slowed
* 1929 Summer: American economy entered ordinary recession
	+ spending declined + unsold goods piled up 🡪 manufacturers began to cut back production + lay off workers
* many companies over-valued by stock market
	+ factories, resources, profits not worth as much as investors thought they were
* stock prices

DOWNTURN 🡪 became self perpetuating* the more the economy contracted 🡪 the longer people expected the declin to last
* corporations did not invest in new plants
* consumers refused to buy new cars / appliances
 | * over speculation in stock market
* speculation was extremely attractive during economic boom 🡪 people were feverishly buying shares + selling when value had risen (thought shares always went up)
	+ some people even mortgaged houses/businesses to buy shares
	+ prices kept increasing 🡪 people = richer
* many companies over-valued by stock market
	+ factories, resources, profits not worth as much as investors thought they were
	+ stock prices not driven by structure of economy but exuberance
	+ stock prices not same as real earnings of the stocks
	+ stock prices inflated by 400% between 1923 – 1929
* signs of slowdown 🡪 people started selling stocks (thought share prices = unrealistic)
	+ prices began to drop 🡪 confidence drop of speculators 🡪 panic + mass-selling on “Black Thursday” (Oct 24, 1929), “Black Tuesday (Oct 29)
	+ 28mil+ shares traded in panic 🡪 everyone sold, no one bought 🡪 overnight stock values fell
* millions of shares reduced to worthless
* investors who bought stocks on margin 🡪 wiped out completely
* hundreds of banks failed
	+ banks had invested heavily in corporate stocks / lent money to speculators
	+ bank deposits uninsured 🡪 depositors lost all/some of their money
	+ customers frightened 🡪 withdrew savings from solvent banks 🡪 forced them to close as well 🡪 worsened crisis
	+ surviving banks stopped being willing to create new loans
	+ 1932: nearly half of America’s banks gone bust
* businesses ruined
	+ could not borrow money bc share value had fallen
	+ as banks went down, business loans called in in desperate bid to stay afloat 🡪 local businesses went down w/ them
* people lost life savings
	+ had less money to spend in shops/on cars 🡪 less spending power
	+ tightened belts 🡪 bought fewer luxuries 🡪 even more factories shut down / sacked workers
	+ sacked 🡪 14mil unemployed in 1932 🡪 less to spend 🡪 etc.
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| **Surge in Tariffs on Foreign Imports** | **Republican Policies** |
| * 1920s: flow of international credit depened on American banks + corporations
* American banks
	+ loans + investments in European countries allowed those nations to pay reparations + war debts 🡪 buy US goods
* US banks + companies reduced foreign investments 🡪 disrupt European financial system + cutting demand for American exports
* Hawley-Smoot Tariff (1930) cut trade further 🡪 raised foreign import tariffs to all-time highs
	+ meant to protect America’s farms + industries
	+ foreign govts imposed similar restrictions 🡪 fall in world trade
	+ market in America shrank + American businessmen found it difficult to sell goods abroad
	+ USA tariff policies 🡪 fostered global protectionism
	+ world trade declined by 66% from 1929 – 1934
	+ drop in international trade + weak international trade relations 🡪 worldwide economy crisis
 | * “rugged individualism” 🡪 minimal intervention from govenrment (“laissez faire”)
	+ believed as long as businesses were booming 🡪 economy would benefit 🡪 welfare of country
	+ passed pro-business bills
	+ cut taxes for people to increase buying power

WHEN STOCK MARKET CRASHED:* few social security nets
	+ decided not to spend public money on creating new jobs
	+ did little to stabilize economy
	+ made little safety precautions for crisis
* “hands off” approach
	+ Hoover believed problem of high unemployment would solve itself
	+ depended on voluntarism + reliance on business community
	+ turned to corporate leaders 🡪 asked business executives to maintain wages + production levels 🡪 rebuild America’s confidence in capitalist economic system
* eventually made some measures
	+ spent govt money on projs to put unemployed to work
	+ insufficient
	+ 1932: avg. American income fell by 1/3 in 3 years
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**EFFECTS**

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| **Unemployment** | **Rising Discontent** |
| * 1932: 14mil unemployed
* every large American city: men queued for a lump of bread + bowl of soup
* YMCA in New York’s Bowery gave away 12,000 free meals a day
* many evictions
* homeless poor slept in parks, under bridges, in shop doorways, public buildings, empty railway waggons
* to alleviate problems of the farmers 🡪 Hoover told them to grow less 🡪 supply fall 🡪 cause price to increase
	+ desperate farmers grew more 🡪 wanted to have more to sell
	+ + many Americans were starving
	+ 1931: wheat prices in Chicago dropped to lowest in 30 years
	+ many farmers went bankrupt + evicted from homes
	+ 1930s: drought + poor farming methods 🡪 crop failure + widespread soil erosion
* thousands of poor tenant farmers in Oklahama abandoned homes + holdings 🡪 emigrated to California
 | * many citizens began to hate Herbert Hoover
	+ even had demeaning “vocabulary” – “Hoovervilles” = shanty towns where people lived in packing crates, “Hoover blankets” = newspapers
* led to violence
	+ bankrupt farmers banded together 🡪 resisted bank agents + sheriffs who tried to evict them from their land
	+ protested low prices for goods 🡪 thousands of farmers joined Farm Holiday Association 🡪 cut off supplies to urban areas by barricading roads + dumping milk, vegetables, other foodstuff onto roadways
	+ layoffs + wage cuts 🡪 violent industrial strikes
	+ civil disorder erupted in nations’ cities
	+ 1931 + 1932: unemployed citizens demanded jobs + bread from local authorities
	+ hard-pressed wage earners staged rent strikes
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