

Boom and Bust

USA in the 1920s

In the 1920s ...



- America's economy recovered quickly after WW1
- The government was Republican and favoured 'big business'
- After the war the government followed a policy of isolationism and focused on internal affairs
- By the mid 1920s the economy was booming

Boom

Factors leading to an **economic boom**

The factors



- US **industry** had been **boosted by the war.**
- Republican government's policy of **laissez faire.**
- **Protectionism** - import duties raised (1922).
- **Mass production** - cars, radios, refrigerators etc.
- **Hire Purchase** - people could buy on credit. There was massive consumer spending.

Percentage of American Families Owning Various Appliances, 1920 and 1930

	1920	1930
Inside flush toilets	20%	51%
Central heating	1%	42%
Home lighting with electricity	35%	68%
Mechanical refrigerators	<1%	8%
Washing machines	8%	24%
Vacuum cleaners	9%	30%
Radios	<1%	40%
Automobiles	26%	60%

The 'Roaring Twenties'.

Economy

- During the 1920s, **mass production** developed which allowed for cheaper prices of technology. Most of the devices that became commonplace in this decade had been developed before the war, but had been unaffordable to the majority.
- The automobile, movie, radio, and chemical industries skyrocketed during the 1920s.
- Between 1914 and 1926 the purchase price of a **model T Ford** fell from \$850 to \$295.
- The automobile had wide effects on the economy and society. The automobile industry rapidly became one of the largest and a number of peripheral companies running gas stations, motels, and providing oil also became important.
- Finance companies fuelled the demand for goods by allowing people to purchase goods on the 'never never' or **Hire Purchase**.
- Many Americans bought shares in the stock market or **speculated** in an attempt to 'get rich quick'.



Back to
menu

Prosperity



- With more money to spend people invested on the stock market.
- President Hoover's aim: *“a chicken in every pot and two cars in every garage”*.

As a result ...



- Many Americans were confident about the economy.

Confidence



Share prices
were going up fast.

People were getting
richer.



Stock Market Speculation

- American industry booms, price of shares rises.
- Investors sell their shares at higher prices and make huge profits.



Get Rich! Quick!!

Continued speculation

- More people invest, pushing prices higher
- People buy '**on the margin**'
- Let's get **RICH!**





**But was everyone so
confident?**

Beneath the 'Boom'



- **Farmers** did not prosper - new machines produced more which lowered prices.
- **The black population** did not prosper - farmers laid them off. Many moved North looking for work.
- **Recent immigrants** did not prosper - they were given low paid jobs and lived in overcrowded conditions.
- **Workers in 'old' industries** (eg. mining, textiles) did not prosper - they were low paid.

Beneath the 'Boom'



- 50% of American families earned less than \$2000 a year.
- American industry was producing too many goods.

Did Everyone benefit from the Boom?

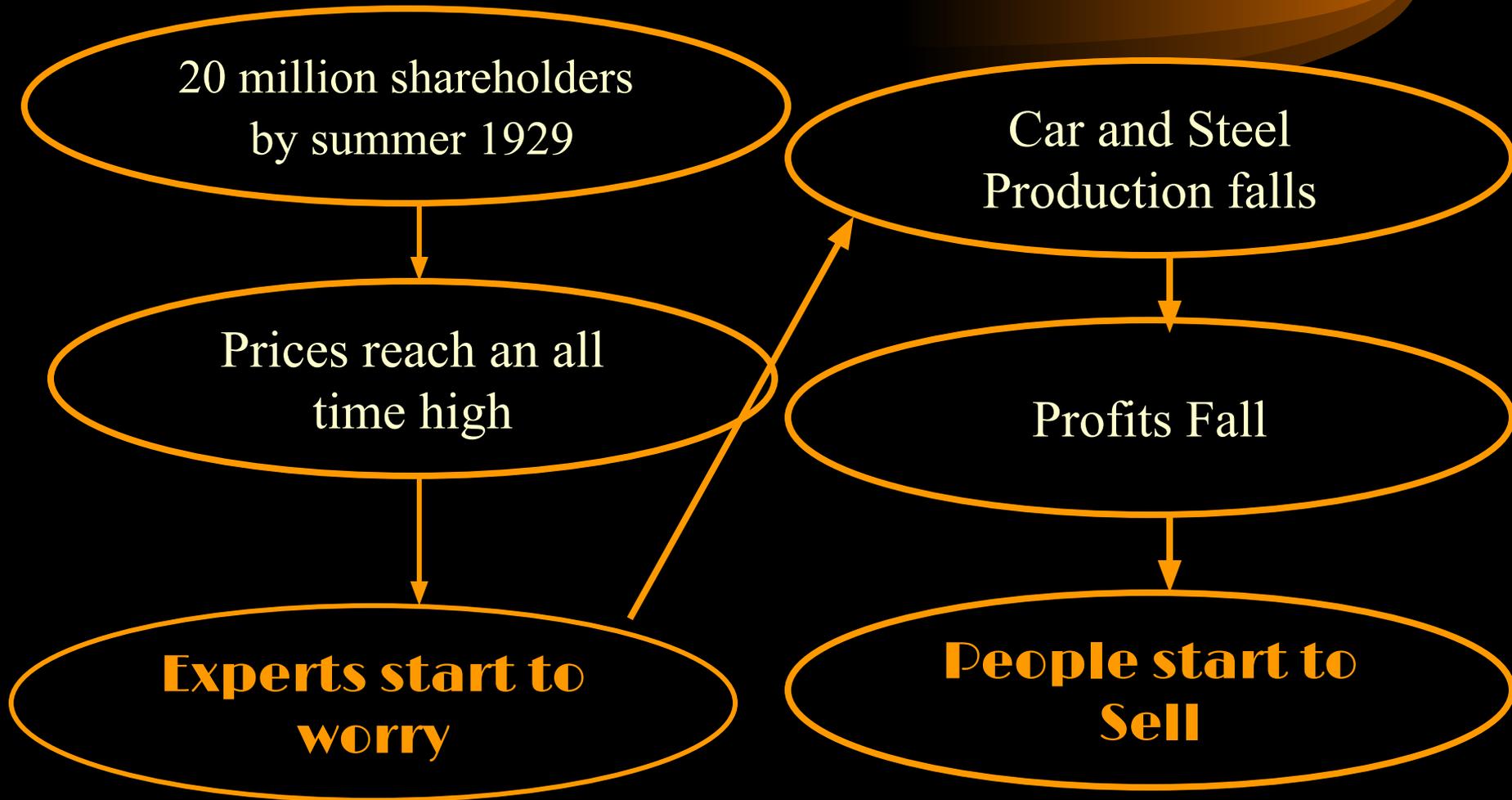
- Workers in many of the older industries, such as coal, leather and textiles did not benefit from the boom.
- In 1928 there was a strike in the coal industry in North Carolina, where the male workers were being paid \$18 and women \$9 for a 70 hour week. At a time when \$48 week was considered to be the minimum for a decent life

Unemployment remained a problem. The growth in industry did not create many new jobs. These Americans which included many poor white people an even greater proportion of Black and Hispanic people and other members of the USA's large immigrant communities. These people were unable to purchase goods. This meant that the consumer led boom of the twenties would tail off very soon if these families continued to be paid so appallingly.



Back to
menu

The Coming Crash



The Coming Crash

- Between Saturday 19th and Thursday 24th October **millions of shares were sold.**
- Friday 25th October - Top bankers decide to support the market.
- Banking firms **buy millions of shares** for more than they are worth.
- Saturday 26th October - President Hoover said, **“The fundamental business of the country, is on a sound and secure basis”**

The Coming Crash



- Monday 28th October - Massive selling
- 3 million shares **sold** in the last hour of trading, **9 million sold in total**
- Banks **stop** supporting prices.

Black Tuesday



Tuesday 29th Oct

- 16 million shares sold.
- No buyers found.
- Ticker tape machines break due to pressure.
- Many investors are ruined.

Bust



**Millions of shares are
now worthless**

Crash !

Re-Cap

