**Boom and Bust 1917-33**

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| New mechanised and electrically-supported industries replaced older ones, such as textile manufacture. Between 1917 and 1930, the number of companies wired for electricity more than tripled. | By 1928, 1.5 million Americans owned stock, showing the changing image of Wall Street. | The government’s laissez- Faire economic policies, such as lower taxes in 1924, 1926 and 1928, gave people the opportunity to have more in their pockets to buy consumer goods. | President Hoover promoted Rugged Individualism. |
| By 1929, the US produced over 40% of the world’s manufactured goods and 85% of its cars. | The GNP rose from $73 billion to $104 billion during the 1920s. | Hire purchase and loans enabled Americans to afford consumer goods. | Annual automobile production more than tripled during the 1920s from 1.5 million to 4.8 million. |
| After WWI, farmers overproduced, demand fell and so did prices. The economy survived this post-war depression in the early 1920s, so Republicans continued their laissez-faire policies when prices started to fall at the end of the decade. However, people, businesses and banks had not been in so much debt in 1919. | As a sense of prosperity rose, more people bought homes and farms on mortgages and banks were more willing to lend. Between 1920 and 1929, consumer debt rose from $3.3 to $7.6 billion. In 1920, people borrowed on average 5% of their income but by 1929 were borrowing 10%. Men earning $35 a week were paying the same amount for their car. | Average weekly working hours fell from 47 hours in 1924 to 44 in 1929. Increased wages, a shorter working week and labour-saving consumer products meant that people had more time and money for leisure. In 1929, Americans spent $4 on leisure. This generated an expansion of the leisure industry and further employment, mainly in the service and advertising industries. | The car transformed American’s way of life. The ability to drive to work accelerated the growth of suburbs. Young Americans could ‘go courting’ far from the parental home. The newly mobile population could now travel to sightsee or relax, resulting in the expansion of roads, tourist camps, motels, gas stations etc. Previously inaccessible areas (e.g. The West) were now more accessible. |
| The booming car industry stimulated other industries, such as steel, glass, rubber, leather, gas stations, motels etc. | One third of all banks in operation before the crash were bankrupt in 1933. | Voter turnout fell below 50% in 1924. | Most people who could afford consumer goods had bought them by 1929 so demand began to fall. |
| The Federal Highway Act of 1921 resulted in 10,000 miles of roads being built during the 1920s. These roads would then be used by manufacturers to transport raw materials as well as the finished consumer products. | By 1929, nearly $7 billion worth of goods were being sold on credit, including 75% of cars and 50% of major household appliances. | By 1920, 50 million Americans were attending movies each week. By 1929, this figure was 80 million and by 1930 weekly attendance stood at 100 million. | By 1929 there were nearly 5 million radios in American homes and the average family kept its radio on for 3.9 hours per day. |
| As a result of the ‘Bull Market’ (people expect share prices to continue to rise), people began to buy on the margin, encouraged by the media and the financial confidence that they could sell the shares at a higher price. Banks then started to use customers’ investments to trade in shares. | Government policies encouraged workers to “buy American” by raising tariffs such as the Fordney-McCumber Tariff of 1922 on foreign goods. By making foreign goods more expensive, they were protecting domestic industry. | The Federal Reserve Board (regulated banking) tried to tighten up money supply in 1929 but this made the depression worse. Other than this, there had been little effort to effectively regulate banks; roughly 500 banks failed each year during the 1920s. | Mass production had a knock-on effect on an array of industries from raw materials to couriers to retailers. |
| 40% of Americans still lived in poverty during the 1920s. Real wages only rose by a quarter, compared to the doubling of big business profits. A 1928 report found that 60% of families had les than the $2000 per annum needed for the basic standard of living. There were no social welfare programmes (pension, unemployment, sick pay or free access to medical care, etc). | Technological advances lowered prices. Mass production meant goods could be produced quickly and more cheaply. This was especially true of cars and radios. The more consumer goods available, the more affordable they were for the average American to buy. The Ford Model T cost $950 in 1914 but cost just $295 by 1925. | Some regions were far more prosperous than others. In 1929, the Northeast had the highest per capita income of $921 and the Southeast just $365. In the textile mills of the South, a 56-hour week was common for workers, many of whom were children. Women in a North Carolina mill for example were paid $9 for a 70-hour week (men, $18) when $48 was considered minimum wage in New York City. | By 1929, 60% of American homes still did not own a radio and 75% did not own a washing machine. The 30 million Americans who worked on farms did not have electricity. Only 10% of farms had piped water and/or a bath. |
| Republican promotion of the aviation industry and the success and fame of Charles Lindbergh resulted in an increase in passenger services (first Boeing passenger flight in 1928) and stimulated as much as $100 million in aviation investment. | Workers benefitted from new ‘scientific management’ techniques (e.g. assembly line), where they would be rewarded for remaining in the factory, so that they could specialise and become efficient and productive in one aspect of the assembly line. | The advertising industry fuelled consumerism by persuading consumers to buy more goods than they could afford. By 1929 advertisers were spending 5 times what they had in 1914 on advertising. | Mass production increased job opportunities. Workers would then spend their wages on consumer goods, therefore increasing demand. |
| The Bear Market (believing share prices will continue to fall) of 1929 triggered Americans to sell their shares quickly for a profit. | By the end of the decade, those who could afford to buy consumer goods had done so, so demand fell. Companies did not cut production to match this and unemployment was rising as a result. | By 1929, small businesses were falling at a rate of 50% and demand fell in the construction industry (telling of an economy’s health). | Employment was erratic during the 1920s. There are no reliable government statistics but estimates range between 4% an 9% during the 1920s. However, 72% of workers had been unemployed at some point and 43% for over a month. |
| The standard of living increased dramatically. Most homes had flushing toilets, running water, a shower or bath, electric lighting and central heating. A third of households owned a washing machine. | As overproduction increased towards the end of the decade, tariffs prevented businesses from taking advantage of European markets to solve this problem. | 66% of farmers were losing money by 1929. Prohibition meant that demand for grain fell, synthetics replaced cotton and technological advances (tractor and fertilisers) caused prices to fall further. | Increased leisure time led to the expansion of spectator sports, especially baseball. Babe Ruth, for example, was the first sportsman to need a press agent and earned an estimated $2-3 million, at least half of which came from celebrity appearances and endorsements. |