

# The U.S A in the 1920s

**BOOM**

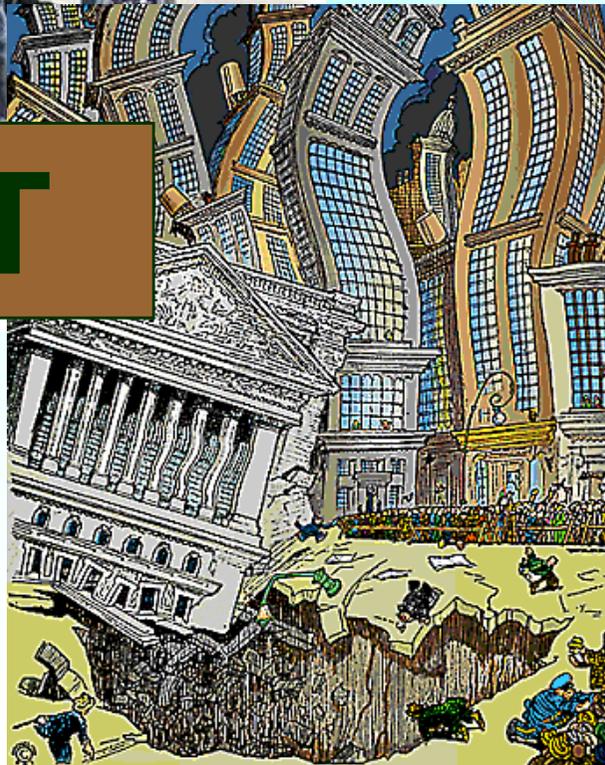
**BUST**



**BOOM**



**BUST**



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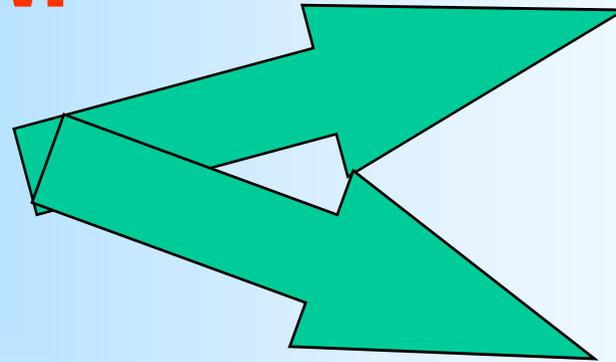


**BOOM**

# What was happening in the U.S. economy in the 1920s?

It was a time of **BOOM**

What does this mean?

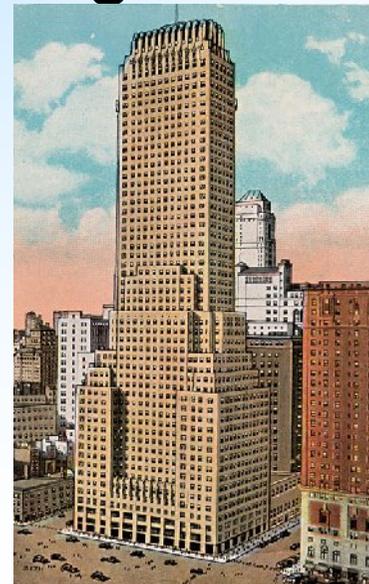


lots of new industries

lots of new jobs

lots of spending

What sort of industries were booming?



1. building work

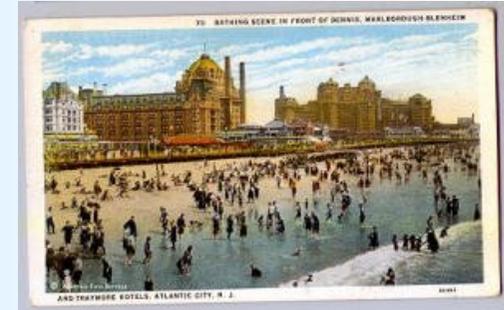
it was the age of the skyscraper

more building.....

- huge amount of new roads built
- all the buildings associated with new roads.....

hotels and motels

petrol stations



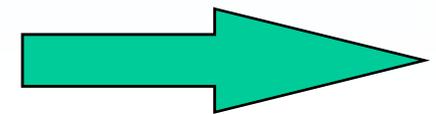
the towns that grew quickly BECAuSE there were decent roads

2.new technologies

production of electricity **boomed**

more households than ever before were “connected”

this meant that household appliance production could really take off



# electricity opened up the flood-gates for household appliances



**vacuum cleaners**  
**30% of households**  
**had one by 1929**



**refrigerators**  
**ownership** ↑  
**by 167 times**



**radios**  
**sales** ↑ **from**  
**60,000 to 10 million**

### 3. Transport

remember all the new roads?

now there were cars, buses and trucks to use them



**Henry Ford** used **mass production** to drive down the costs of his new Model T - a car for the **common man** not just the fabulously wealthy

**aircraft for civil flights** made their first appearance in the **1920s**





## 2. NEW WAYS TO SHOP

- **mail-order** expanded enormously  
(made possible by the new roads and trucks)

1928 1/3 of Americans bought goods from  
**Sears, Roebuck and Co.** → sales of \$347 million



- **credit facilities** expanded

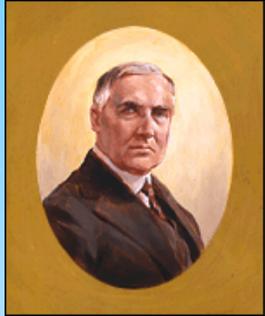
“Buy Now Pay Later”

- **chain-stores** appeared for the first time

clothing sales ↑ by 427%

every chain  
store offered  
hire-purchase

### 3. The **Republican Presidents** kept taxes low and didn't interfere with business



**Warren Harding...**



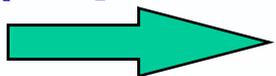
**Calvin Coolidge...**



**...and Herbert Hoover**

**believed in LAISSEZ-FAIRE**

In other words, it wasn't government's job to control what business did. They **didn't** make lots of regulations (expensive for industry) and **kept company tax low**



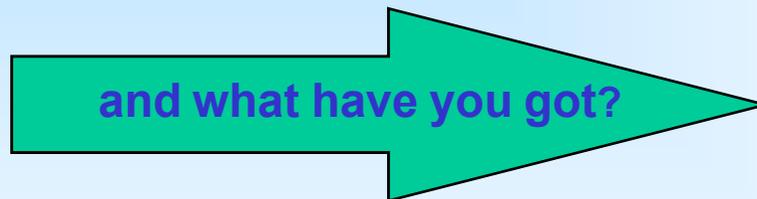
**profits**

## 4. Mass Production drove costs down

there's no point producing goods that people can't afford to buy

mass production made goods affordable by ordinary people

join this with credit facilities



a population that can afford to buy the newly available consumer goods

at least, this is what the American Presidents believed and thought that everything was healthy with the American economy.....

# Why did the Wall Street Crash happen?

## 1. Problems with the Stock Market

- In order to finance their business schemes, companies made shares in their businesses available to the general public to buy. They bought them on the Stock Market

- When a lot of people want a company's shares, the price goes up. Throughout the 20s, the price  People believed they would always behave like this.

- Because people kept on buying shares in order to make a quick profit (by selling them) the share price rose and rose and no longer reflected the true worth of the company

- Because they believed they would always make a profit, people wanted to buy as many shares as possible even when they didn't have enough money. They used **CREDIT** to buy the shares and hoped to pay back the banks when the share price went up.

- some people began to notice that though the share prices were high,the companies themselves were not that strong  
**in other words they weren't worth what their share price said they were worth**
- some experts began to sell their shares in large quantities  
**this happened in the autumn of 1929**
- small investors panicked when they saw the share price begin to  
**they rushed to sell their shares before the price fell any more**
- this led to a complete collapse in the share price  
**thousands of investors lost millions of dollars  
businesses collapsed as money was withdrawn  
millions were eventually made unemployed**



## 2. The Policies of the Republican Presidents

governments shouldn't interfere with people's lives -leave them be

remember the laissez-faire attitude?

the Republicans didn't tackle the problem of poverty

the Republican Presidents failed to realise that a poor person is a poor consumer - they can't afford to buy the goods

42% of Americans lived below the poverty line in the 1920s

it didn't take long for the home market to become SATURATED

if America couldn't sell much more at home, they would try to export

BUT, Europe had placed heavy taxes on U.S.goods making them too expensive for Europeans to buy - this was in retaliation against the FORDNEY-McCUMBER TARIFFS 1923

America couldn't sell overseas either

but companies went on producing more and more

= OVERPRODUCTION

no sales -  
no profit

# So.....why did the Stock Market crash?

## long-term causes

### 1.very large numbers of poor Americans

with 42% below the poverty line, there weren't enough Americans to buy all the goods being produced

### 2. no overseas market

the Fordney-McCumber tariffs had provoked a backlash from Europe -they put similar taxes on U.S goods coming into Europe making them too expensive for Europeans to buy



### 3.overconfidence

the same confidence that had fuelled the boom, caused investors to buy more and more shares ,often with borrowed money

## short-term cause

### **over-production**

**because of the collapse of the markets at home and overseas, towards the end of the 1920s, American industry was producing far too many goods which it couldn't sell and which began to pile up at the factories**

## immediate cause

### **panic selling of shares in October 1929**

**once it became clear that share prices could go down as well as up, investors panicked and sold as quickly as they could, driving the price of the shares down and down.**

**Because they sold the shares for less than they bought them, they could not pay back the banks for the loans they had needed to buy the shares in the first place.**

**The banks themselves were in trouble as they had bought shares too Many lost their life savings as banks went bust. The boom was over.**

