

Depth study statistics- 10A- how far did the US economy boom in the 1920s

List of factors contributing to the economic boom of the 1920s in America:

1. **First World War**
2. **Republican policies**
3. **Mass production**
4. **Confidence**
5. **Electricity**
6. **Mass marketing/consumption**
7. **The car**
8. **New Inventions**
9. **Credit**
10. **Industries-**
 - a. Old- Coal, Steel, Building and Construction
 - b. New- Entertainment, Rayon, Car

The **average wage** rose **8%** between 1923-1929 meanwhile prices of consumer goods fell continuously.

Consumer **prices** fell 11.3 percent from **1920** to 1921

First World War

Sell arms but not itself depleted during war

Followed isolationism and Monroe doctrine

The US's losses were very minimal and they were in a much better economic position as opposed to their counterparts.

By the end of the war the USA had overtaken Germany and had the world's most successful chemical industries.

By the end of 1918, American factories had produced 3.5 million rifles, 20 million artillery rounds, 21,000 airplane engines, and large amounts of poison gas.

Created new profitable markets abroad- one way trade of goods

The total value of U.S. exports grew from \$2.4 billion in 1913 to \$6.2 billion in 1917.

- Most of that went to major Allied powers like Great Britain, France, and Russia, which scrambled to secure American cotton, wheat, brass, rubber, automobiles, machinery, and thousands of other raw and finished goods.

- The flood of money into the manufacturing sector from both home and abroad led to a welcome rise in employment for American workers. The U.S. unemployment rate dropped from 16.4% in 1914 to 6.3% in 1916
- According to a 1917 study, exports of metals, machines, and automobiles rose from \$480 million in 1913 to \$1.6 billion in 1916; food exports climbed from \$190 million to \$510 million in that same period.
- About 1 million women joined the workforce to compensate for the loss of so many men

Loans and inventions

During the war, America had become “the banker to the rest of the world”. According to World War one, foreign debts confirm that Britain, France, and Italy owed the US 22\$ billion plus interest. The war also provided a stimulus for inventions in production, materials and advertising.- No civilian aircrafts in 1918- by 1930, new aircraft companies sold 162000 flights a year

Republican policies

Laissez-faire

Was the main economic policy followed by three consecutive Republican governments (Harding, Coolidge and Hoover); low government intervention in the economy allowed business and enterprise to grow rapidly;

Low taxation

Low taxes on business and income meant there was more expendable income for consumers and greater profits for businesses and shareholders; bigger profits helped increase share prices and encourage greater stock market speculation and investment; profits allowed businesses to reinvest and expand, creating more jobs and higher wages in some sectors of the economy.

Tax rates were slashed dramatically during the 1920s, dropping from over 70 percent to less than 25 percent. Personal income tax revenues increased substantially during the 1920s, despite the reduction in rates. Revenues rose more than 61 percent.

Tariffs:

- Fordney-McCumber Tariffs of 1922 was signed by President Warren Harding.
- Highest tariffs in history- average of 40%

3) Mass production

General mass production stats for intro:

- The number of radios increasing from 60,000 in 1920 to 10 million in 1929
- The number of telephones increasing from 10 million in 1915 to 20 million in 1930
- For every fridge in 1921 there were 167 by 1929

Mass production reduced cost of cars – by 1920s one was produced every 10 seconds; affordable and reliable – the Model T dropped in price from \$1200 to \$295 by 1928; allowed many middle-class families in rural and urban areas freedom; stimulated boom in other sectors of society – radio, cinema, sports, etc.; caused massive road building projects to connect the United States and rural and urban areas; decreased isolation for rural families; allowed women to travel into towns and experience nightlife; increased freedom for women; breakdown of social norms in more urban areas, etc.

This was made possible by adapting the line production techniques of a Chicago slaughterhouse
Time to make a car reduce from 12hrs to 90 min

- Henry Ford used assembly line production in the manufacture of cars and the same techniques were applied to the production of many other items from radios to cigarette lighters

Consumer **prices** fell 11.3 percent from **1920** to 1921

Corporate profits increased by at least 60% as industrial production increased by 40%

4. State of mind/ Confidence:

- Rise in employment
 - Unemployment reduced from 8.7% to 4.3% in 1924
 - Employment in manufacturing radios, irons, fans, lighting, vacuum cleaners, washing machine and other labour saving household appliances- were hiring
 - Labour intensive industries saw a rise in number of women from 24.3 to 26.1% in 1925
 - Helped stimulate spending- clear indicator of growth in prosperity
- Invention of new products <See next section>
- Increased share prices and profits for speculators
 - By late 1928, 5 million shares were being traded daily
 - Dow Jones industrial average (widely viewed as a proxy for general market conditions and even the U.S. economy itself.) jumped from 72 points in 1921 to 381 in 1929
 - Dividends for shareholders increased by about 165%

Assembly line and mass production of the cars-

- In 1913, the United States produced some 485,000 of the world total of 606,124 motor vehicle

- By 1929 one American in five owned a motor car
- By 1925 the price of a car was around \$290, 4*monthly wage of a factory worker
- By The mid-1920s one car produced every 10 seconds.

5. Electricity

- By 1929 most homes in the cities had electricity and nearly 70% of all Americans had electric lights.
- The amount of electricity consumed doubled in the 1920s
- Lead to rise in new products and industries:
 - “underpinned”
 - The electrification of America led to the development of a whole range of domestic goods- cookers, refrigerators, vacuum cleaners, washing machines and radios.
 - In 1920, 8% of households had electric washing machines.
In 1930- 24%
 - 1930- 30% had vacuum cleaners
 - In 1930, more than 40 percent of American households owned a radio
- See effect of labour saving electrical goods on households (more free time)
- It provided a cheap, efficient source of power for factories-
 - By 1929 about 70 percent of manufacturing activity relied on electricity, compared to roughly 30 percent in 1914
 - the construction of an electric car assembly line pioneered by Henry Ford led to mass production of automobiles
 - more than 15 million Model Ts were built and sold around the world
 - reduced the time it took to build a car from more than 12 hours to one hour and 33 minutes.

6. Mass Marketing:

A big advertising industry grew up to promote the vast range of consumer goods. Advertisements were sophisticated, colourful and full of catchphrases. They were placed on roadsides, on the radio, in newspapers and in cinemas.

Advertising of new products allowed big business to mass sell to population more effectively

- Things such as **consumerism** were being used by brands to sell their product. For example, Coca Cola rebranded itself from a medicine in the 1880s to a refreshing drink in the 1920s. This can be seen from their change in slogans; from “Drink Coca Cola” in 1886 to “The Pause That Refreshes” in 1929.

- To appeal to a larger audience, many brands started appealing to women. Coca Cola, Ford, and American Tobacco (a frontrunner in advertisement) all appealed to women, even though in many cases (such as smoking) it was considered “unconventional”.
- American Tobacco Co. was the first to get **celebrity endorsers** such as A.D. Lasker, Ivy Lee

Became a major industry in itself in the 1920s

- Advertising volumes grew from 200 million in 1880 to **3 billion in 1920**
- In 1919 advertising costs were 8% of total distribution costs in industry; by 1929, the share was 14 per cent.

Mail order catalogues also became popular/advertised:

- During the 1920s, catalogue shopping (another form of advertising) became a convenient way of buying goods. The most famous mail order company was Sears, Roebuck and Co.
- By 1928, one-third of Americans bought goods from it. Improvements in the road system meant delivery by mail became easier.

7. Automobile industry-

1 in 5 had cars in USA compared to 1 in 7000 in Russia

9 million cars in 1919, 26 million by 1929

Used 75% of gas produced

More than 15 million of model T produced by 1925

1928- cost 3 times the monthly wage of a factory worker

Led to decrease in unemployment-

- Thousands of jobs were created, roads were built, petrol stations were built, as were hotels and restaurants. Therefore the entire economy was given a substantial boost due to the car industry
- The car industry employed up to ½ million workers and stimulated road and hotel construction, the building of filling stations and the development of suburbs and holiday resorts
- In the 1920's, the automobile industry dominated the American economy, with one out of every eight workers employed in an automobile-related job.
- Jobs in factories, industry, convenience stores, gas stations, state police, mechanics and highway opened up all due to the automobile
- It also boosted associated industries – oil, glass, rubber, steel, leather and upholstery

New industries were created-

- Garret Morgan is credited with inventing the first electric automatic traffic signal in 1923
- The headset was invented by Benjamin Katz in 1921. It played a key role in providing comfort and safety within a car. With the introduction of these two safety features, people were more likely to feel safe driving a car, and in turn, boosted sales. Americans bought nearly 26 million cars and 3 million trucks in the 1920s

Stimulated other industries:

- The invention of the automobile gave rise to the fuel and petroleum industry
- oil production continued to climb. By 1920, oil production reached 450 million barrels. The growing demand for petroleum was driven by the growth in demand for gasoline as America became a motorized society
- Motor industry and assembly line mass production- knock-on effect on road building industry, rubber, oil, glass, etc.
- The car made possible much of the activity that characterised the period by giving many Americans a freedom of movement they had never known before. It provided an easy means of visiting clubs, cinemas, restaurants, sporting events and taking day trips and other holidays.
- From 1875 to 1920 American steel production grew from 380,000 tons to 60 million tons annually, making the U.S. the world leader

8) New inventions

- Car related inventions

(During this time, the automobile industry was exploding. As a result of this, many innovations were made regarding the car.)

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- In the automobile industry, Henry Ford's invention in 1913 of the moving assembly line—a technological innovation that changed most manufacturing—lent itself to larger factories and firms.

- Home appliances

- The first electric refrigerator for domestic use was invented in 1913 and increased production in the 1920s. For every 1 refrigerator in 1921 there were 167 in 1929.
- In the mid-1920s, the vacuum became much more efficient and easier to use. Cleaning household carpets became a lot easier and much faster.

- Many of the new devices promised to give women—who continued to have primary responsibility for housework—more opportunities to step out of the home and expand their horizons.
- Labour saving- increased free time- spend on leisure. For eg, by the end of the 1920s, there were more than 100 million people going to the movies weekly.
- Increased efficiency in other industries
 - The building industry benefited from new machines such as concrete mixers, pneumatic tools and power shovels. 1929- Empire State building was announced to be built as the tallest building- had the technology to do this now.
 - Communications were speeded up by automatic switchboards, dial phones and teletype machines
 - Advances in chemicals and synthetics brought rayon, Bakelite and cellophane into common use. In 1900 only 12000 pairs of silk stocking had been sold. In 1920 Rayon was invented which was a cheaper substitute for silk. In 1930, 300 million pairs of stockings were sold.

9)Credit

"Buy now, pay later". Americans could get consumer goods on credit and pay for them at a later date in regular weekly and monthly installments.

Consumers could buy consumer goods without having the money to pay up front → more people were able to afford the new products → greater demand and sales of American products.

Many did not have the money to buy an item outright and, therefore, industries encouraged the borrowing of money at low rates so that the item could be purchased and paid for over a period of time.'

8 out of 10 radios were bought this way

6 out of 10 cars were bought this way.

Credit firms emerged.

They arranged for consumers to pay for goods in installments at low **interest rates** (i.e. hire purchase).

This led to an increased demand for goods because the majority of Americans could now buy expensive items they previously could not afford. New gadgets for the home were particularly popular, such as vacuum cleaners and waffle irons.

The demand for extra goods, in turn, led to more jobs and more consumers.

Easy availability of credit → climate of consumerism → encouraged Americans to buy the latest consumer products.

If a family wanted to buy a Model T that cost \$800 but only had \$100, they could make a down payment on their car and get a loan for the rest of the car's price (\$700). Then, the family paid the car off in monthly payments called installment plans.

To encourage Americans to take advantage of the scheme, advertisements were placed on roadsides, on the radio, in newspapers, catalogues and cinemas

Stock prices

In the 1920s, people could buy stock on credit for the first time. This caused stocks to seem like they were worth more than they really were. However, people kept investing more and more in the stock market. At the time, it was called a bull market because it kept "charging" upward like a bull. Stock prices rose by around 165% in the decade.

Industries

New:

See Automobile industry

See Rayon under last point of new inventions

See electrical appliances

Entertainment industry:

Film- Cinema provided an opportunity for escapism for many Americans and audiences more than doubled during the 1920s, reaching 95 million in 1929.

Hollywood launched stars such as Charlie Chaplin, Mary Pickford, Douglas Fairbanks and Rudolph Valentino who became some of the world's first celebrities.

Talkies arrived in 1927, with millions seeing and hearing Al Jolson in *The Jazz Singer*.

How movie stars affected others:

Hairstyles, clothes, make-up, perfumes and mannerisms of the stars were copied by impressionable Americans. However, there were concerns that films were corrupting public morals so the industry introduced the Hays Code which limited the length of on-screen kisses and banned nudity (although this wasn't adopted until 1930 or seriously enforced before 1934).

Music- The popularity of Jazz has led to the 1920s also being known as 'The Jazz Age'. Along with blues it originated in the African American community of the south. It was often performed by black musicians who had migrated to the northern cities of New York, Philadelphia and Chicago. By 1930 40% of US households had radios. The first national network, the National Broadcasting Company (NBC), was set up in 1926 following the establishment of more than 500 local commercial radio stations.

Sports-

In 1924- 70,000 saw football match between Illinois and Michigan

In 1926- 150,000 saw the boxing match between Dempsey and Tunney

Baseball- popular- stars like Babe Ruth

Newspapers and Magazines-

1919- First tabloid newspaper- Daily News published

1922- 10 magazines claimed a circulation of over 2.5 million

Old:

- Coal (This could be used as a factor for why industrial strength was not the main factor)

- One of the industries considered to be “sick” in the twenties was coal, particularly bituminous, or soft, coal
- Income in the industry declined, and bankruptcies were frequent
- Strikes frequently interrupted production
- majority of the miners lived in squalid and unsanitary houses, and the incidence of accidents and diseases was high
- The demand fell as industries began turning from coal to electricity
- Petroleum
 - The petroleum industry was growing throughout the interwar period. By the thirties, crude petroleum dominated the real value of the production of energy materials. The growing demand for petroleum was driven by the growth in demand for gasoline as America became a motorized society.
 - The amount of petroleum production increased from 0.4 Billion 42 gallon barrels in 1920 to 2.5 billion in 1929
- Steel

From 1875 to 1920 American steel production grew from 380,000 tons to 60 million tons annually, making U.S. the world leader

- This explosive American growth rested on solid technological foundations and the continuous rapid expansion of urban infrastructures, office buildings, factories, railroads, bridges and other sectors that increasingly demanded steel.
- The use of steel in automobiles and household appliances came in the 20th century
- Andrew Carnegie advanced the cheap and efficient mass production of steel rails for railroad lines, by adopting the Bessemer process.
- In the late 1880s, the Carnegie Steel Company was the largest manufacturer of pig iron, steel rails, and coke in the world, with a capacity to produce approximately 2,000 tons of pig iron per day
- Building and construction

The 1920s was a golden age of building and construction in America as new businesses required factories, offices, shops and showrooms connected by new roads. Many skyscrapers were designed during this time including New York’s Chrysler Building and the 102-storey Empire State Building, both completed by the early 1930s. Many new homes, schools, hospitals and other public buildings were also constructed during this time.

- Cotton and woolen textiles

The general increase in the standard of living and the increase in the number of shops and department stores meant there was increased demand for clothes. But since these were

often made from synthetic fibres such as rayon and celanese (artificial silk) there was actually less demand for cotton and woollen textiles. Problems for the traditional textile industry was also made worse by the change in fashions – shorter hemlines for skirts and dresses meant less material was used. Textile operatives in the cotton and woollen industries were among the lowest paid factory workers.

Farming:

Farming declined from 18% to 12.4% of the economy.

Taxes per acre rose 40%,

Farm income fell 21%.

Farm industry lost 300 million a year due to tariffs

- Farm workers in Europe returned to their farms and began producing food again so American imports were no longer needed

- US agriculture began facing competition from Canada and Argentina

- Prohibition led to a 90% reduction in consumption of barley for making beer

This all led to overproduction and falling prices. Many small farmers could no longer afford their rents or mortgage payments. Evictions and forced sales followed. There were one million fewer farms in 1930 than 1920.

10. Give four reasons why US agriculture suffered in the 1920s

- Farm workers in Europe returned to their farms and began producing food again so American imports were no longer needed

- US tariffs made selling to Europe even more difficult. European countries found it hard to sell in US markets and get dollars to buy US products with

- US agriculture began facing competition from Canada and Argentina

- The increasingly prosperous US population preferred more luxurious foods such as fresh fruit and vegetables to cereal products

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Small farmers and labourers suffered most. Larger operators with modern machinery were still able to make profits. These included some fruit growers of California and Florida and large-scale cereal farmers of the Midwest.

What were the roaring twenties?:

For a minority America in the 1920s was not just a land of economic prosperity but also a country of glamour, glitz and partying. This life of excess and frivolity was projected across the nation through the mass media so most Americans knew of the new age and daring new ways of the younger generation. This was the decade of shorter skirts and dresses, make-up, bobbed hair, cocktail drinks, nightclubs, the Charleston, the saxophone, jazz and Hollywood. It saw rebellion against the starchiness of earlier standards of dress, morals and social behaviour.

Notes provided by Samyukta Natarajan