

The Politics of Frustration: The 1920s

Not all Americans in the 1920s benefited from the "politics of prosperity." Many servicemen returning from World War I could not get back their pre-war jobs, or any good jobs for that matter. There was an upswing in racism and xenophobia. Moreover, by the 1920s, many Americans were weary of two decades of reforms, moral legislation, and war. Many longed for a time when life was simpler, even if these "good old days" existed only in the popular imagination.

Some questions to answer:

1. Warren G. Harding promoted a "return to normalcy." What sort of "normalcy" was Harding referring to? Did America return to "normalcy" in the 1920s?
2. How are "Cultural Fundamentalism" and religious fundamentalism distinguished from each other?
3. How did the rise of the "Invisible Empire" foster a new definition of "Americanism?"

The "Good Ol' Days"

Many people longed for the lost elements of a "Bygone America:"

1. Nation free of labor problems and racial strife
2. Less filled with foreigners
3. Less influenced by imported radical ideologies
4. More attuned to the rhythms of small-town life
5. More devout in Fundamentalist Christianity
6. Less government interference

The Return to "Normalcy"

1. Warren G. Harding was elected 1920
2. Republican
3. appealed to popular feelings of nostalgia
4. inaugural address by promising a return to "normalcy," a word Harding himself had coined
5. As the decade unfolded, it became clear that "normalcy" included three major trends:
 - a. Redefinition of "Americanism"
 - b. Resumption of racial antagonism
 - c. Resurrection of the "old-time religion"
6. Five-Power Treaty:
 - a. US, Britain, Japan, Italy & France
 - b. 1921, A ten-year naval holiday
 - c. US & GB: 500,000 tons of battleships & cruiser ships
 - d. Japan: 300,000 tons
 - e. Italy & France: 175,000 tons each
7. Nine-Power Treaty:
 - a. US, Britain, Japan, France, China, Italy, Belgium, The Netherlands, & Portugal
 - b. Uphold open door policy & not carve China any further.
 - c. These treaties stopped arms race, however never dealt with subs or land forces.
8. Set up tariffs to protect US biz:
 - a. Fordney-McCumber Tariff Act
 - b. Kept foreign goods out of American Markets

9. What results does this have?
10. The Dawes Plan – payback WWI debt to US
 - a. Loan 2.5 Billion to Germany
 - b. Germany pays GB & France 2 Billion
 - c. who in turn pay \$2.6 Billion to US.
11. Immigration –
 - a. Emergency Quota Acts of 1921 – Quota system based on national origin.
 - b. Act of 1924 put quota at 2% of national living in the US in 1890
 - c. Excluded Japanese immigrants
12. We see seeds of Isolationism planted
13. No longer looking at the world where do we turn our attention?
14. Now what happens when we look inward at the nation?
15. Harding Scandals involving bribery in
 - a. Justice Dept.
 - b. Veterans Bureau.
16. Teapot Dome Scandal – Most famous one
 - a. Federal Oil Reserve in Wyoming marked for use by the Navy.
 - b. Interior Secretary, Albert Fall had land turned over to his department.
 - c. Then sold off drilling leases to private developers & got hundreds of thousands of \$s, kickbacks, & cattle
 - d. Senate investigation discovered it
 - e. Convicted for accepting bribes
 - f. 1st cabinet officer to go to jail.

"Cultural Fundamentalism"

Attempted to ensure that all Americans followed the right patterns of thought:

1. Quest for certainty and predictability in social relationships.
2. An order in human affairs that was at once familiar, comfortable and non-threatening.
3. Nostalgia for the non-industrial society of their parents.

H.L. Mencken (1880-1956)

1. widely-read journalist and satirist
2. mocked American society for its:
 - a. Puritanism - "the haunting fear that somebody, somewhere may be happy"
 - b. anti-intellectualism
 - c. conformity
3. He summed up his attitudes about the naivete and moral righteousness of American public thought when he said:

"It was Americans who invented the curious doctrine that there is a body of doctrine in every department of thought that every good citizen is duty-bound to cherish and accept. It was Americans who invented the right thinker."

4. Mencken also found the American public to be extremely gullible

"No one ever went broke underestimating the intelligence of the American people."

The Politics of Frustration

Many events of the decade rose from a suspicion and fear of anything foreign:

1. The Red Scare
2. Sacco and Vanzetti trial
3. The rise of a new Ku Klux Klan
4. The Scopes Trial

The Red Scare

1. Americans no longer feared the power of unrestrained monarchs
2. now feared the unrestrained mob, exemplified by the "Bolsheviks."
3. The Bolshevik--or October--Revolution of November 1917
4. brought the doctrine of Communism to Russia
5. supposed to be the first in a chain of workers' revolutions that would spread
6. Only a handful of Americans knew who Lenin was
7. even fewer had heard of Karl Marx
8. growing numbers of Americans tied the "Bolshevik menace" to domestic labor unrest and mob violence
9. They feared that, given the right circumstances, America would also fall to Communism
10. A huge wave of strikes occurred in 1919
11. There was a general strike in Seattle
12. then a nationwide strike of steelworkers
 - a. the protesters were unskilled and semiskilled workers
 - b. many of whom were recent immigrants from Southern and Eastern Europe
 - c. many opponents of labor labeled the strike un-American
 - d. claimed that unrest was being fomented solely by radical immigrants.
13. followed by a walkout by the Boston police force
14. reinforced communist fears
15. bomb threats also fueled the red scare
16. In April of 1919, a U.S. Senator from Georgia, Thomas Hartwick, received a package which exploded when his maid opened it
17. similar packages were discovered before they reached their targets
18. sixteen homemade bombs were found, wrapped up and addressed to
 - a. J.P. Morgan
 - b. John D. Rockefeller
 - c. Supreme Court Justice Oliver Wendell Holmes, Jr.
19. many claimed this was part of a radical, Bolshevik conspiracy to take over the nation.
20. Attorney General A. Mitchell Palmer
 - a. one of the targets of an attempted bombing
 - b. which made him a convert to the red scare
21. Palmer organized a new group of crime fighters
22. job was to arrest and deport potential radicals
23. Palmer appointed J. Edgar Hoover head of the General Intelligence Division
24. Palmer made use of the wartime Sedition Act (1918) to lend legal weight to arrests and prosecutions of so-called "radicals."
25. On January 2, 1920 the red scare reached its climax
 - a. On this day, simultaneously in thirty three American cities, Justice Department agents arrested 3,000 "communists, anarchists, and aliens."
 - b. most of these persons had broken no law and were, in fact, American citizens
 - c. held without bail and were not allowed contact with lawyers or family members
 - d. Still others were arrested on the grounds of "guilt by association"

- e. based solely on their contact with the accused
 - f. total number of arrests to around 7,000
 - g. Of these 7,000, only 556 were deported or imprisoned.
26. Almost no liberal organization escaped Palmer's sweeping indictments of radicals
 27. Hull-House founder Jane Addams was called a communist sympathizer because of her pacifist stance during WWI
 28. The League of Women Voters was denounced as radical
 29. Respected publications like "The Nation" and "The New Republic" had their mailing rights revoked
 30. Eventually Palmer's tactics went so far as to offend even conservative Americans
 31. support for the red scare dropped off
 32. Palmer tried to exploit the raids to promote his unsuccessful run for the Democratic presidential nomination
 33. revelations about his abuses of power turned the public against him
 34. J. Edgar Hoover emerged from the red scare of 1919-1920 relatively unscathed
 35. After Warren G. Harding was elected President, Hoover was appointed assistant director of the Bureau of Investigation (the future FBI)
 36. He was made director in 1924 and held that post until his death in 1972.

Sacco and Vanzetti Trial

1. Peak of Public distrust of radicals and especially of foreign radicals
2. two anarchists who were arrested for a 1920 robbery and murder
3. immigrants from Italy who living in the U.S. for many years by the time of the trial
4. began in July of 1921
5. was a travesty of justice
6. Many Americans felt the two were being railroaded into conviction
7. because they were immigrants and self-proclaimed radicals
8. Public opinion was divided:
 - a. Some Americans believed that anyone professing a belief in radicalism was already guilty and should be hanged
 - b. Others believed that the true test of a democracy was its ability to protect the rights of those who expressed unpopular opinions
9. appeals process was continued for six years
10. 1927 an advisory committee was appointed by the governor of MA to review the case
11. committee charged the original presiding judge of a "grave breach of official decorum"
12. but maintained that Sacco and Vanzetti were indeed guilty as charged
13. In his final statement on April 7, 1927, Vanzetti claimed
 - a. that the trial had not been about murder
 - b. rather his ideology and ethnic heritage:
14. "I am suffering because I am a radical. Indeed I am a radical. I have suffered because I was an Italian. Indeed, I am an Italian. I have suffered more for my family and my beloved than for myself. But I am so convinced to be right that if you could execute me two times, and if I could be reborn two other times, I would live again to do what I have done already. I have finished. Thank you."
15. On August 23, 1927, Sacco and Vanzetti were executed
16. The trial revealed the shameful side of Cultural Fundamentalism
17. disillusioned many American intellectuals about their government and its justice system
18. disillusionment would push many away from liberalism toward radical posture in 1930s

The Rise of a New KKK

1. revived by Colonel William Joseph Simmons in 1915
2. The organization received a charter of corporation from the Georgia legislature
3. it remained a small, regional organization until 1920
4. In the spring of 1920
5. two New York con men, hoping to capitalize on the membership fees the Klan charged, started the Southern Publicity Association to promote the Klan's views
6. In the fall of 1921 some members of the House began to investigate new phenomenon
7. House investigation was free publicity for the Klan
8. its membership grew from 100,000 to 1 million in 1922
9. by 1925 dues-paying members numbered 2 million
10. This new KKK promoted "100% Americanism":
 - a. Protestantism
 - b. Charity
 - c. Motherhood
 - d. Morality
 - e. Temperance
 - f. Education
11. So what's not 100% American? Their main targets were:
 - a. Roman Catholics
 - i. Pope was called a "political autocrat" intent on taking over the world.
 - ii. The Klan insisted that it was impossible for anyone to be a good American citizen and a good Roman Catholic at the same time
 - b. Jews
 - i. denounced as internationalists
 - ii. could never form the deep attachments to America that came "naturally" to Protestant, Anglo-Saxon Americans
 - c. African-Americans
 - i. this new KKK was also militantly anti-Black
 - ii. According to Hiram Wesley Evans, an "Imperial Wizard" of the KKK:
 - iii. "Every instinct, every interest, every dictate of conscience and public spirit insists that white supremacy forever shall be maintained."
12. Klan was not limited to the South
13. The KKK was strongest in Indiana, Texas, and Ohio
14. Klan members dominated membership in city councils of such diverse places as
 - a. Chicago
 - b. Indianapolis
 - c. Denver
 - d. Dallas
15. It captured six governorships, including those of Oregon, Indiana, and Colorado
16. managed to split the 1924 Democratic National Convention
17. 1925 on, rates of membership fell off and the influence of the Klan declined
18. leaders had promised far more than they delivered
19. they lacked a systematic program of action for their goals
 - a. restoring the Bible to its place in public schools
 - b. returning African-Americans to rural docility
20. ultimate weakness was its reliance on emotion rather than reason
21. would regain strength in the mid-1930s and then again after World War II
22. The rise of the new Klan, both in the 1920s and later, demonstrated
 - a. how close to the surface Americans' fear of outsiders remained
 - b. how easily those fears could be manipulated.

The Scopes Trial

1. About academic freedom
2. In actuality, it pitted two opposing views of society
 - a. modern, urban, intellectual rationalism and secularism
 - b. religious dogma and old-fashioned, rural values
3. By 1920s Darwin's theory of evolution was taught in most universities and schools.
4. Tennessee legislature passed a law prohibiting the teaching in public schools of any theory that conflicted with the biblical story of the Creation
5. John T. Scopes, a 25-year old teacher in Dayton, Tennessee, challenged the law by teaching evolution in his high school biology class
6. He was arrested in 1925
7. Scopes was defended by Clarence Darrow,
 - a. a leading trial lawyer
 - b. agnostic
8. the defense team was financed by the American Civil Liberties Union (ACLU)
9. The prosecuting attorney was William Jennings Bryan
 - a. of Populist fame
 - b. now a leader of the new "fundamentalist" movement in Christianity
10. cultural fundamentalism were most vocally promoted by religious fundamentalists
11. growing movement in Protestant Christianity took its name from a series of pamphlets entitled The Fundamentals: A Testament of Truth (1909-1912)
12. pamphlets had been published by Milton and Lyman Stewart of Union Oil in California
13. outlined the following essentials in conservative Christian doctrine:
 - a. The virgin birth of Jesus Christ.
 - b. Jesus' physical resurrection.
 - c. The second coming of Christ was imminent and physical
 - d. Every word of the Bible is literally true
 - i. creation of Eve out of Adam's rib to the visions in Revelations
 - ii. there are no allegories in the Bible
 - iii. no subjects open to interpretation.
14. The Fundamentalist movement was strongest in the South
15. had a significant presence in the Midwest and West
16. Meanwhile, back at the Scopes Trial...
17. judge did not allow any expert scientific testimony about evolution for the defense
18. Darrow's chief witness turned out to be Bryan himself
19. Bryan was humiliated by Darrow
20. led him to state under oath
 - a. that Jonah was swallowed whole by a "big fish,"
 - b. that woman was literally created from a piece of Adam's rib
 - c. that in 2348 B.C. the world was flooded and all living things inundated except fish and the animals on Noah's ark
21. The jury found Scopes guilty and he was fined \$100
22. The Tennessee Supreme Court overturned the decision on a technicality
23. many Americans saw the fundamentalist cause as the true loser in the trial
24. Bryan had spoken for an older generation that was slowly being replaced
25. Publicly humiliated, he died just a few days after the trial

Conflicts: Rural v. Urban, Morality, Science v. Religion, Fear = Conservative Government

The Politics of Prohibition: The 1920s

1. The 1920s are often viewed as a decade of contrasts and conflict
2. Freedoms in dress, behavior, and sexual attitudes vs. a new Puritanism
3. The old horse and buggy was being replaced by the automobile
4. conflicts between the traditional small-town way of life and a new urbanism and cosmopolitanism
5. some saw life as a glorious orgy
 - a. with the popularization of Freud
 - b. songs such as "Hot Lips" and "I Need Lovin'"
 - c. movies called "Up in Mabel's Room" and "Her Purchase Price."
6. On the other hand, religious fundamentalism underwent a rebirth
 - a. people tried to latch onto the traditional moral standards
 - b. either real or imagined of bygone years
7. Overall, this time period can be characterized by the decline of the Anglo-Saxon class as the most influential group in American society
8. Even as the power of the Anglo-Saxon establishment was on the wane
9. What was one of its final attempts to hold onto power? – Prohibition

Some questions to answer:

1. Was there a dominant culture in 1920s American society? Give specific examples to prove your point.
2. Compare and contrast the techniques and goals of the temperance movement to those of suffragists and other Progressive feminists
3. What were the fundamental differences between the Anti-Saloon League and the Women's Christian Temperance Union? What did these two groups have in common?
4. The prohibition movement was about more than getting Americans to stop drinking. What other social issues were linked to this movement? What socio-economic group had the most interest in seeing Prohibition succeed? Why?

Prohibition in a Nutshell –

“A great social and economic experiment, noble in motive and far-reaching in purpose.”

1. The 18th Amendment to the Constitution--passed by Congress in 1917
2. ratified by 3/4 of states by 1919
3. prohibited the manufacture or sale of alcoholic beverages within the boundaries of the US
4. The Volstead Act of 1919
 - a. also known as the National Prohibition Enforcement Act
 - b. gave the Eighteenth Amendment some teeth
 - c. defined an alcoholic beverage as one with alcoholic content greater than 0.5 %
5. The 21st Amendment, which was passed in 1933, repealed the 18th Amendment
 - a. Got around the traditional process of ratification by the state legislatures
 - b. many of which were expected to vote "dry"
 - c. Congress called for ratifying conventions in each state
 - d. At the completion of delegates' voting, national count in favor of repeal of the 18th Amendment was 73%.

The Decline and Fall of the Anglo-Saxon Class

1. "Anglo-Saxon class"
 - a. Americans descended from the early European settlers
 - i. included the English
 - ii. long-settled families of Irish and German stock
 - b. Held positions of respectability and responsibility in their communities
 - c. Small-town dwellers
 - d. Educated
 - e. Protestant
 - f. Republican
 - g. wanted less government involvement in the economy
2. Anglo-Saxon class tried to maintain its grip on American society in the following ways:
 - a. Immigration restriction
 - i. a surge of nativism
 - ii. legislation passed by Presidents Harding (1921) and Coolidge (1924)
 - b. Anti-Semitism
 - i. Henry Ford in his newspaper "The Dearborn Independent."
 - ii. Ford once stated:
 - iii. "I know who makes wars. The international Jewish bankers arrange them so they can make money out of them."
 - c. Resurgence of the Ku Klux Klan,
 - d. Economy
 - i. *The Modern Corporation and Private Property* by Adolph Burley and Gardner Means
 - ii. by 1930, 200 of the nation's largest non-financial corporations controlled between 45-53% of the nation's wealth
 - iii. Anglo-Saxon Protestant establishment controlled manufacturing, railroads, and public utilities
 - iv. This was the managerial class, maintaining a very exclusive membership in its social clubs, colleges, and areas of residence.

The Melting Pot Bubbles

1. great demographic shifts were underway
2. soon have significant repercussions
3. There was a population explosion
4. the results of which were first foreseen in the Dillingham Commission Report in 1910-11
 - a. The birth rates of immigrants and poor native-born Americans exceeded those of the "old stock."
 - b. By 1911, two of every three American schoolchildren had parents who were immigrants.
 - c. Most of these new Americans were massed in states with the most electoral votes.
 - d. Republicans were not attentive to the needs of this growing group of working-class, urban, first-generation Americans
 - e. Traditionally, the Republican Party had found its base of support among Protestants in rural areas and small towns
 - f. American cities were growing rapidly
 - g. with the most significant gains among the Catholic and Jewish populations from Southern and Eastern Europe.

5. So the Republican Party found itself on the wrong side of the birth rate and of religious and social differences

The Election of 1928

1. one of the most significant in American history
2. It brought to light the effect of these great demographic changes
 - a. internal migration of native-born Americans was unbounded
 - b. Between 1920 and 1930, 6.5 million Americans moved from rural to urban areas,
 - c. just where the majority of electoral votes were massed
 - d. The Republican stranglehold on national politics was finally broken.
 - e. The election of 1928 put in opposition two representatives of this dichotomy
3. Herbert Hoover (1874-1964) - R
 - a. Anglo-Saxon
 - b. born into an Iowa Quaker family
 - c. Supporting business and Prohibition
 - d. campaign slogan: "A chicken in every pot and a car in every garage."
4. Alfred E. Smith (1873-1944) – D
 - a. Born into a lower-class, Catholic family
 - b. grew up in the New York City tenements known as Hell's Kitchen
 - c. He was a self-made man
 - d. success came from the so-called "dirty profession" of politics
 - e. Smith was identified with big-city political machines
 - f. an avowed "wet," he called for the repeal of Prohibition
5. Prohibition and religion--namely Smith's Catholicism--dominated the campaign
6. Hoover won by a large margin
7. Democrats carried the nation's twelve largest cities
8. Before Al Smith ran for president, even East Coast cities had been largely Republican.
9. Smith's base of support in urban America demonstrated that a major political shift was still to come in the 1930s

Prohibition

1. not a new phenomenon in the 1920s
2. attempts to outlaw alcohol in colonial America
3. The Maine Law of 1851 prohibited the manufacture and sale of intoxicating liquors within the state of Maine
4. By 1855, thirteen of the thirty-one states had such laws
5. During the Civil War, the fed gov't prohibited alcoholic beverages in the Union Army
 - a. This ruling, in part, was brought about by wartime rationing:
 - b. available grain had to go to feed the troops, not to the production of liquor
6. leaders of this social movement sought scientific evidence to back up their views
7. For example, the Scientific Temperance Journal was founded in the post-Civil War years
8. Schoolchildren's textbooks depicted human organs degenerating from an overabundance of drink.
9. Women's Christian Temperance Union (WCTU)
10. 1870s
11. promoted the use of public education for the cause of temperance
12. They succeeded in getting their propaganda in textbooks
13. by 1902 every state and territory except Arizona had a law requiring temperance instruction in the schools

14. also used eugenics
15. the study of hereditary improvement of the human race by controlled selective breeding
16. argued that immigrants were inferior due to the fact that their children had been drinking since a young age

The WCTU and the Anti-Saloon League

1. helped to foster prohibition sentiment throughout the United States
2. The WCTU represented most progressive reform groups of the day
3. Frances Willard--national president of the union from 1879-1898
4. WCTU took up the causes of
 - a. suffrage
 - b. an 8-hour work day
 - c. prison reform
 - d. the Social Gospel
5. This made temperance attractive to numerous reformers
6. Progressives viewed Prohibition as a way to attack the bosses of urban political machines, whose headquarters were often located in saloons
7. the Anti-Saloon League - founded in 1896
 - a. had as its only goal the legal prohibition of alcoholic beverages
 - b. developed modern lobbying techniques that were hugely successful
 - c. League printed and disseminated anti-drinking brochures
 - d. went to church members for support
 - e. lobbied both lawmakers and businessmen
 - f. At the turn of the century, only Maine, Iowa and Kansas had prohibition laws.
 - g. Anti-Saloon League was persuasive in its lobbying
 - h. 28 states had prohibition laws by 1918 before nat'l prohibition went into effect
8. The typical prohibitionist was:
 - a. Rural or small-town dweller
 - b. Middle Class
 - c. Anglo-Saxon
 - d. Evangelical Protestant
 - e. Anti-Black, anti-immigrant, anti-Jew, anti-Catholic
9. various reasons for running this campaign against alcohol
10. Most believed that drinking liquor was immoral
11. Others wanted to take away the power of the urban political machines
12. Still others used the movement as a springboard for their personal political ambitions
13. Some for the protection of health and family
14. Wives wanted husbands to bring home their paychecks
15. Business men wanted to eliminate "blue Monday" absences
16. "Dry" states complained that they could not enforce their laws effectively

WWI and Prohibition

1. The entry of America into WWI greatly aided the cause of prohibition.
2. War time hysteria against all things foreign linked prohibition to patriotism
3. In their propaganda, prohibitionists characterized the liquor industry as foreign-controlled, pointing out that many breweries were run by German-Americans
4. Centralization of government power
5. During WWI, the federal government took over railroads and factories, passed a conscription act, and curtailed liberty and free speech

6. As an outgrowth of this, the government was viewed as the upholder of Americans' moral codes
7. including their drinking habits
8. Individual freedoms were limited for the sake of higher social responsibilities

Results of Prohibition

1. Enforcement of the Volstead Act was impossible
2. average Americans tried every way possible to break the law
3. Organized crime and smuggling rings grew
4. home-brewing grew
5. The Anglo-Saxon establishment
 - a. achieved legal control
 - b. its social control declined throughout the decade

The repeal of the Eighteenth Amendment in 1933 marked the end of an experiment in social engineering

By the end of the 1920s, another grand experiment – this one promising wealth for all – had also failed

The story of the growing economic prosperity of the 1920s that ended with the infamous stock market crash of 1929 is a fascinating and extraordinarily important part of our history.

The Politics of Prosperity: The 1920s

World War I may not have made the world safe for democracy, but it did create a favorable situation for the American consumer. The 1920s saw the growth of the culture of consumerism, as many Americans began to work fewer hours, earn higher salaries, invest in the stock market, and buy everything from washing machines to Ford Model T's. The culture of consumerism of the 1920s changed the politics of American society and set the tone for American attitudes about money.

Questions to answer:

1. What role did new technology play in shaping the economy of the 1920s? The culture of the 1920s?
2. Compare the relationship between big business and government during the 1920s to that of the Gilded Age.
3. How did the American love affair with the automobile affect American society? The American economy?

The Aftermath of World War I

1. The decade of the 1920s
2. "The New Era,"
3. marked by prosperity and new opportunity
4. reason for U.S. involvement in WWI was economic links to the Allied Powers
5. Wall Street financial institutions gave loans to UK totaling over \$2.3 billion
6. Wall Street feared a British defeat

7. The transition from a war-time to a peace-time economy caused:
 - a. economic dislocation for industrial workers
 - b. loss of income for farmers
 - c. renewed racism and nativism against
 - i. Black Americans
 - ii. foreign immigrants
8. Many Americans reveled in the new culture of consumerism

The Politics of Prosperity

Warren G. Harding (1865-1923)

1. Elected to the Presidency in 1920s
2. Harding urged a "return to normalcy."
3. policies of his administration were generally conservative especially regarding:
 - a. Taxes
 - b. Tariffs
 - c. immigration restriction
 - d. labor rights
 - e. business regulation
4. Harding's administration was marked by corruption and scandal
5. died of a stroke in office in August, 1923.

Calvin Coolidge (1872-1933)

1. Harding's vice president (1921-23)
2. Coolidge acted quickly to repair damage of the Harding scandals
3. Coolidge's policies:
 - a. including cutting federal taxes
 - b. maintaining high tariffs
 - c. very popular during his tenure as president
 - d. decisions were later discredited

Herbert Hoover (1874-1964)

1. Secretary of commerce under both Harding and Coolidge
2. elected to the presidency in 1928
3. helped by the prevailing prosperity in major areas of the country
4. Hoover in office just a few months when the Great Depression began
5. 1932 he lost the presidential election to Franklin D. Roosevelt

The Business Boom of the 1920s

1. U.S. economy experienced steady growth and expansion during the 1920s
2. Three factors of production became especially important:
 - a. Machines
 - b. Factory
 - c. The Process of Standardized Mass Production
3. A self-perpetuating cycle was created:
 - a. standardized mass production led to
 - b. better machinery in factories, which led to
 - c. higher production and higher wages, which led to
 - d. more demand for consumer goods which led back to
 - e. more standardized mass production

4. This upward spiral led to a business boom
5. continued until 1929
6. There were five main sources of the 1920s economic boom:
 - a. Effect of WWI on technology.
 - b. Scientific management: "Taylorism"
 - c. Rapid increase in worker productivity
 - d. Psychology of consumption
 - e. Relations between the federal government and big business

Effect of WWI on Technology

1. During the war there was a significant labor shortage
2. combined with the need for increased production
3. necessitated new, more efficient methods of production
4. Old industries, such as petroleum and steel, were stimulated
5. also a host of new industries, such as plastic and rayon
6. accelerated technological changes
7. money spent on new machinery for industry:
 - a. 1915 the total annual expenditure was \$600 million
 - b. grew to \$2.5 billion by 1918.

Scientific management was known popularly as "*Taylorism*"

1. mathematical formula for
 - a. labor
 - b. streamlining of tasks
 - c. increase in production
2. In 1920s, US industries implemented scientific management on a grand scale
3. poured millions of dollars into industrial research

Rapid increase in worker productivity.

1. scientific management & new technology increased worker productivity
2. workers earned higher wages and became better consumers
3. A new innovation appeared: the installment plan
4. encouraged Americans to build up debt in order to buy consumer goods.

Psychology of consumption.

1. Americans were displaying a desire to get rich, and to do so with little effort
2. Thorstein Veblen, *The Theory of the Leisure Class* in 1898
3. book was not widely read until the 1920s
4. it spoke directly to the psychology of American society
5. introducing the now-familiar term "conspicuous consumption."
6. Some examples of conspicuous consumption include:
 - a. Radio
 - i. first commercial radio station opened in the 1920s in Pittsburgh
 - ii. By 1922, 3 million American households had radios
 - iii. by 1929, purchases of receivers had increased by 2,500%
 - iv. by 1929, industry annual sales of \$850 million.
 - b. Motion pictures

- i. fledgling industry before World War I
 - ii. the motion picture industry took off in the 1920s
 - iii. became one of the ten largest industries in the U.S.
 - iv. In 1922, theaters sold 40 million tickets a week
 - v. by 1929, that number had grown to 100 million a week
- c. New electric appliances
 - i. lightened the load of the middle-class American housewife:
 - ii. vacuum cleaners, toasters, washing machines, refrigerators
 - iii. Women became America's greatest consumers
 - iv. purchased items, such as furs, that a generation ago would have been considered a luxury.
- d. Automobile industry
 - i. Annual production rose from 2 million in 1920s to 5.5 million in 1929
 - ii. By late 1920s, there was one automobile for every five Americans
 - iii. Two factors led to the rising popularity of cars:
 - 1. Cost –
 - a. The price of cars declined steadily until the mid-1920s
 - b. the automobile came to be within reach of any well-paid working family
 - c. the 1926 Model T cost \$290
 - 2. Credit - In 1925, 75% of all automobile sales were on the installment plan
 - iv. Henry Ford (1863-1947)
 - 1. did not invent the automobile
 - 2. he did the most to promote the car
 - 3. developed more efficient and cheaper means of production
 - 4. “Americans can have any kind of car they want, and any color they want, as long as it's a Ford, and as long as it's black.”

Economic Effects of the Automobile:

- 1. Promoted growth of other industries, especially petroleum, rubber, and steel
- 2. A national system of highways was created.
 - a. Automobiles required better roads
 - b. After WWI, federal funds became available for building highways
 - c. a major industry was born
- 3. Created new service facilities
 - a. Filling stations
 - b. Garages
 - c. Roadside restaurants
 - d. Motels began replacing hotels

Social Effects of the Automobile:

- 1. Created a more mobile society.
 - a. Rural Americans came into urban areas for shopping and entertainment
 - b. Cars broke down the distinctions between urban and rural America
- 2. Broke down the stability of family life
- 3. Broke down traditional morality

Relations between the federal government and big business.

1. US businessmen regained status of folk hero they enjoyed before Progressivism
2. Many Americans felt they also had opportunity to participate in prosperity
3. began to equate prosperity and progress
4. critic: Sinclair Lewis in his novel Babbit (1922)
5. Lewis poked fun at the average businessman as
 - a. Materialistic
 - b. Amoral
 - c. Superficial
 - d. Conformist
6. Bruce Barton, a prominent figure in advertising
 - a. published The Man Nobody Knows: A Biography of Jesus in 1925.
 - b. presented Jesus as the "founder of modern business"
 - c. the apostles as the "greatest sales force in history"
7. Relationships between businessmen & government had never been closer than in the 1920s.

"The American Way"

1. Businessmen had two major propaganda mills:
 - a. the Chamber of Commerce
 - b. the National Association of Manufacturers
2. Both preached
 - a. a return to laissez-faire economics
 - b. less regulation of business
 - c. less support of labor unions
3. The National Association of Manufacturers labeled this program as "The American Way."
4. President Harding asked for "less government in business and more business in government"

There were four major ways in which the federal government supported big business.

1. High tariff policies
 - a. The Fordney-McCumber Act (1922)
 - b. Hawley-Smoot Act (1930)
 - c. created the highest-ever schedule of tariffs for foreign-made goods
2. Taxes
 - a. Andrew Mellon was Secretary of the Treasury 1921-1932
 - b. Congress repealed the excess profits tax & reduced the rates for corporate and personal income taxes at Mellon's request
 - c. Mellon provided business leaders with a list of tax loopholes which were drawn up, at Mellon's request, by the IRS
3. Cutbacks in the Federal Trade Commission (FTC)
 - a. The FTC created to regulate big business and to look into unfair trade practices
 - b. did less and less of this in the 1920s
4. Herbert Hoover
 - a. Secretary of Commerce
 - b. as President encouraged price-fixing
 - c. believed that the government was responsible for helping businesses profit

The Crash and the Great Depression

In 1929 Yale University economist Irving Fisher stated confidently: "The nation is marching along a permanently high plateau of prosperity." Five days later, the bottom dropped out of the stock market, ushering in the Great Depression, the worst economic downturn in America's history. Although the Great Crash is viewed as the starting point of the Great Depression, it wasn't the sole cause.

Some questions to Answer:

1. Why were Americans so confident in the stock market in the years leading up to the Great Depression?
2. How did the Psychology of Consumption shape the causes and effects of the Crash?
3. How did stock market investing change during the 1920s? Who were the main investors and how did they pay for their investments?
4. Explain the statement: "By 1929, much of the money that was invested in the stock market did not actually exist."
5. Why did Hoover choose the term "depression" for this economic downturn? Why do you think this term has remained part of the American vocabulary ever since?

Optimism and Prosperity

1. Herbert Hoover was elected President in 1928
2. Mood of the public was one of optimism and confidence in the U.S. economy
3. Few saw reason why prosperity should not continue
4. Acceptance speech for the Republican party nomination for the presidency, Hoover had said:
"We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us."
5. John Jacob Raskob
 - a. CEO of General Motors
 - b. head of the Democratic National Committee
 - c. published article, "Everybody Ought to be Rich" in Ladies Home Journal
 - d. Suggested that every American could become wealthy by investing \$15 a week in common stocks
 - e. failed to realize that weekly salary of average worker was about \$17-\$22

A "Bull Market"

1. Five years prior to 1929, the stock market had been characterized by rising prices
2. enormous "bull market."
3. The opposite, a market characterized by falling prices, is called a "bear market."
4. Six speculations to explain why so many people invested in the stock market during this time:

I. Rising stock dividends.

1. The stock market was propped up by new investors entering the market
2. viewed it as an easy way to get rich quick
3. relatively small number of Americans--about 4 million--had investments in the market at any one time

4. Rather, the constant influx of new investors coming in and old investors moving out ensured that new money was always floating around
- II. Increase in personal savings.
 1. Higher wages meant even average Americans now had surplus money
 2. surplus put into savings or invest in the stock market
 - III. Relatively easy money policy.
 1. banks made money more readily available at lower interest rates to more and more people
 2. it's conceivable that many people took out loans not only to buy cars, but also to buy stock.
 - IV. Over-production profits were invested in new production.
 1. From 1925 on, industry was over-producing
 2. In anticipation of eventually selling the surplus, business leaders funneled their profits right back into industry
 3. Investing in factories, new machinery, and more workers
 4. Led to even greater overproduction
 5. This increased production gave the companies an aura of financial soundness
 6. This encouraged Americans to buy more stock
 - V. Lack of stock market regulation.
 1. there were no effective legal guidelines on the buying and selling of stock
 2. corporations began printing up more and more common stock
 3. Many investors in the stock market practiced "*buying on margin*"
 - a. buying stock on credit
 - b. Confident that a given stock's value would rise
 - c. an investor put a down payment on the stock
 - d. expecting in a few months to pay the balance of the initial cost plus receive a hefty profit
 - e. This turned the stock market into a speculative pyramid game
 - f. in which most of the money invested in the market wasn't actually there
 - VI. Psychology of consumption.
 1. The psychology of consumption fed the optimism of investors
 2. gave them an unquestioning faith in prosperity

The Crash

1. The stock market was viewed as the chief economic indicator of the US
2. In September of 1929, stock prices began to fluctuate
3. Fluctuations dismissed as temporary
4. What many did not realize - or refused to admit - was that stock prices were totally out of proportion to actual profits
5. Sales of goods and construction of factories were falling rapidly while stocks continued to climb
6. Very few were worried
7. Still accepted Adam Smith's "self-adjusting economy" as doctrine
8. Believed the problems would fix themselves
9. October 24, 1929 - "Black Thursday"
 - a. People began dumping their stocks as quickly as they could

- b. Sell orders inundated market exchanges
 - c. The bull market suddenly shifted to a bear market
 - d. By that evening, the market had stabilized a bit
 - e. J.P. Morgan and other financiers bought up stock
 - i. to stop the panic
 - ii. keep the market afloat
10. Friday, October 25
- a. House of Morgan continued to keep the market stable
 - b. Seemed that the panic was over
 - c. The weekend intervened
 - d. As often happens to people in their free time, they began to worry
 - e. Thousands of people decided to sell whatever stock they still had as soon as the market opened on Monday
11. On Monday, October 28 - there was another wave of sell orders
12. October 29, 1929 - "Black Tuesday"
- a. Marks the beginning of the Great Crash.
 - b. Single most devastating financial day in history of New York Stock Exchange
 - c. Within the first few hours the stock market was open, prices fell so far as to wipe out all the gains that had been made in the previous year
 - d. stock market was viewed as the chief indicator of the American economy
 - e. public confidence was shattered
 - f. Between October 29 & November 13 (when stock prices hit lowest point)
 - i. over \$30 billion disappeared from the American economy
 - ii. comparable to the total amount US spent on involvement in WWI
13. Still, optimism persisted
14. Many leaders declared that the worst was over
15. J.D. Rockefeller said:
- "These are days when many are discouraged. In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again."
16. In 1930 the national income dropped from \$87 billion to \$75 billion
17. In 1931 the national income dropped to \$59 billion
18. In 1932 the national income fell to \$42 billion
19. In 1933 the national income fell to \$40 billion

The Great Depression Begins