



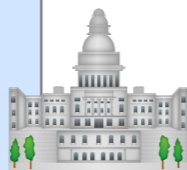
US GOVERNMENT POLICIES

Republican Party dominated US politics throughout the 1920's
There were three Presidents
HARDING - COOLIDGE - HOOVER

They all believed in the same economic policies

LAISSEZ FAIRE : This is the belief that governments should not intervene. That a government which governs best governs least. They believe that government intervention actually makes things worse and the market should take its course. Therefore they did not intervene and regulate the stock market or get involved in trying to sort out problems in agriculture or declining industries. This was a very popular policy as it let Americans carry on making money in the way they chose. However, it did have serious consequences- the Wall Street crash.

PROTECTIONISM- Republican governments also believed in protecting the American market. They believed that America had all the resources it needed. It therefore aimed to severely restrict imports to the USA through huge **TARIFFS**- taxes added on to imports to make them much more expensive. This protects local industry. An example of this is the **FORDNEY MCCUMBER ACT** which introduced tariffs of as much as 400% on to imports. The issue with these tariffs were that other countries imposed tariffs in retaliation against American products making exporting particularly difficult.



The 1920's witnessed unparalleled economic growth in the USA, combined with the rise in freedoms outlined elsewhere.

Most, but not all Americans, certainly found this decade to be one of huge beneficial change.

THE FIRST WORLD WAR

The USA unlike the vast majority of other countries involved in the war, **BENEFITED** due to it. HOW?

- A) it **CAME TO THE WAR LATE** (April 1917) it could claim all the spoils of victory, while suffering a very small amount of relative casualties than the other powers. More died from disease in fact (Spanish flu) than from combat.
- B) It was also **PHYSICALLY UNDAMAGED**, being so far away from the main combat zones. This is in contrast to France and Belgium which had huge areas that were devastated by war.
- C) **LARGEST CREDITOR NATION**. The US replaced the UK as the worlds largest creditor nation. Most European countries owed it vast amounts of money to pay for the war. New York (Wall street) began to replace London's dominance
- D) **US GAINED MARKET SHARE**. As many European economies became geared towards war their traditional markets around the globe were taken over by American companies.



BACKGROUND

REASON 6

REASON 1

REASON 2

REASONS FOR 1920's ECONOMIC BOOM

REASON 5

REASON 4

REASON 3



THE STOCK MARKET

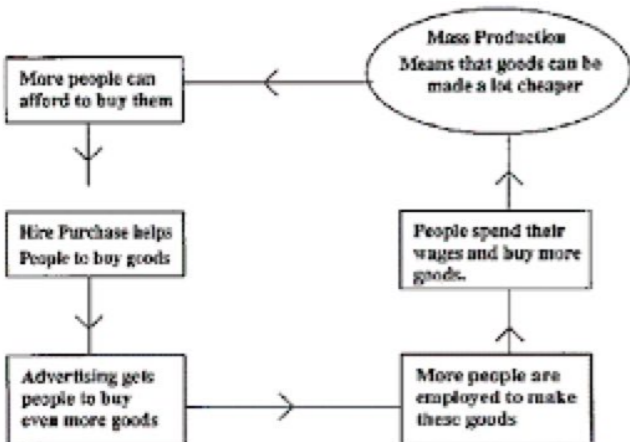
THE US Stock market based at WALL STREET, New York, boomed during the 1920's
Up to 20 million Investors bought stocks and shares in American companies. In return they would get regular **DIVIDENDS** (shares of the profits)

There were also **SPECULATORS**. These were investors looking for short term gains. Aiming to buy and sell shares for an easy profit.

Businesses would use the money from the shares to reinvest in their businesses. They built new factories and installed new electric conveyors to allow mass production

This speeded up developments and boosted profits enormously for many firms. Many Americans brought these shares 'on the margin' This means they used credit to purchase them in the hope of making a quick profit.

The American stock market quintupled (x5) in value throughout 1920's

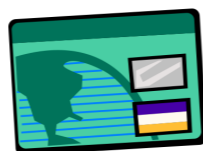


CYCLE OF PROSPERITY

The American boom was self generating. The more wealth pumped into the economy the more it created wealth.

For example the more that businesses like FORD prospered the more workers they employed and the better wages they provided. These workers then spent these wages on other goods and services therefore creating more economic growth.

This means the American economy became **SELF GENERATING**
car ownership - leads to growing suburbs (construction and real estate) Tourism flourishes as people travel further - Entertainment such as drive in cinemas and drive through restaurants take off - investment in infrastructure like roads boosts communication. The oil industry booms as demand soars.



MASS MARKETING AND CREDIT

The US population rose from 106 - 123 million
With so many new products being produced by mass production companies needed to be able to sell their products fast

- Advertising industry boomed. The first radio adverts were aired and companies spent millions of dollars on billboards and posters and radio.
- Mail order catalogues became very popular. Companies like SEARS thrived and were able to deliver to all areas of America. By 1928 1/3rd of Americans had bought goods this way.

- Electricity was expanded across America and transformed lives. New electric products such as hoovers, washing machines and toasters along with electric ovens transformed the lives of Americans - particularly women. (who still had a traditional role)

Phones became much more popular rising by 10 million
phonographs allowed people to listen to music at home making Jazz increasingly popular.

Radio boomed with cheaper radio sets and much more channels.

CREDIT - was extremely important. Things like hire purchase allowed Americans to buy things they would never have been able to afford. They could pay it back in instalments. Up to 60% of US cars were bought on credit alongside many of the new electric goods.

MASS PRODUCTION

The moving assembly line had transformed US industry in the 1920's. It had been developed at the start of the 1900's but it reached its height in the 1920's as companies realised how much profit they could make

- The assembly line:
- Speeded up production hugely. Previously cars were produced one at a time by hand and were therefore very expensive. The Assembly line sped up the process enormously with workers doing repetitive jobs quickly at stations as the assembly line moved. They did not require lots of training or education to do such work. Time and motion surveys worked out the best way to produce products
 - As a result of mass production the price of products fell rapidly. A model T Ford for example decreased from \$800 - \$290. One could be produced every 10 seconds! Over 24million were produced throughout the 1920s
 - Mass production also encouraged huge savings as companies bought in bulk. Ford for example kept its model Ford very simple and they all came painted black. They were however all reliable at a time when 90% of US roads were not paved.

Companies like **FORD** boomed
Henry Ford turned Ford into a multi billion dollar company pioneering mass production and the assembly line. He built huge purpose built factories at **DETROIT** which became known as **Motown**.
workers there were given a 5 day week and paid a great wage. They could even purchase their own cars which was unheard of for ordinary workers.