

Chapter 12 – Section 1

The Economy in the Late 1920's



Reasons to be optimistic about the economy in the late 1920's

- ▶ Wages had increased
- ▶ Low unemployment
- ▶ Heavy investing in the **booming stock market**



Welfare Capitalism

- ▶ Employers raised wages and **provided benefits** like paid vacations, health plans, and even English classes for recent immigrants
- ▶ **“kept the workers happy”** so they wouldn’t strike (kept Unions in check)



Misleading prosperity & wealth

- ▶ A tiny % of rich Americans owned most of the nation's wealth
- ▶ Most made under \$2,500/year and had no savings (80% had none)



Buying on credit = Bad idea

- ▶ People bought stuff whether or not they could afford it
- ▶ Installment plans meant didn't have to pay cash upfront anymore
- ▶ Led to an **increase in personal debt**



Speculation

- ▶ The practice of making high-risk investments in hopes of “getting rich quick”



Different kind of investors

- ▶ Used to be only the rich who played the stock market before WWI
- ▶ Now everyday people invested their entire life savings



“Buying on Margin”

- ▶ Allowed even more people to invest
- ▶ Only had to put down a small % to buy a stock and could borrow the rest



Why so many unbought consumer goods?

- ▶ Despite rising wages, **people still could not afford to buy them** as fast as assembly lines churned them out



Overproduction of goods

- ▶ **Caused industries such as automobile to slow down**
- ▶ **Related industries too – steel, rubber, glass**



Trouble for farmers in 1920's

- ▶ During WWI demand for wheat & cotton gave them profits
- ▶ Used these profits to buy more land & machinery
- ▶ **After war ended, demand dropped causing farm prices to drop so farmers couldn't pay off loans**



Life for factory workers

- ▶ Still long hours and little pay for most
- ▶ 56 hours/week and 16 cents/hour
- ▶ Tough conditions in coal mines & textile mills



*5 Factors leading to major disaster

- ▶ 1. Uneven wealth
- ▶ 2. Rising debt (buying on credit)
- ▶ 3. Stock speculation
- ▶ 4. Overproduction
- ▶ 5. Hardships for farmers and workers



Persuasive Essay

- ▶ Assume the role of the *writer of a business column* in a 1920's newspaper. Write an essay (1 / 2 page)to persuade your readers either
 - ▶ a) *to take advantage of the money-making opportunities in the booming economy,*
or
 - ▶ b) *to show caution in their investments and avoid speculation.*