### Chapter 12 - Section 1

The Economy in the Late 1920's



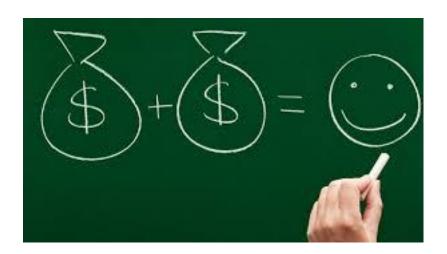
# Reasons to be optimistic about the economy in the late 1920's

- 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.