Ch. 22 Sect. 1
The Economy In The Late 1920s

Objectives:

1. Explain why the economy appeared to be healthy in the 1920s.
2. Explain why, in reality, the economy was headed into danger.

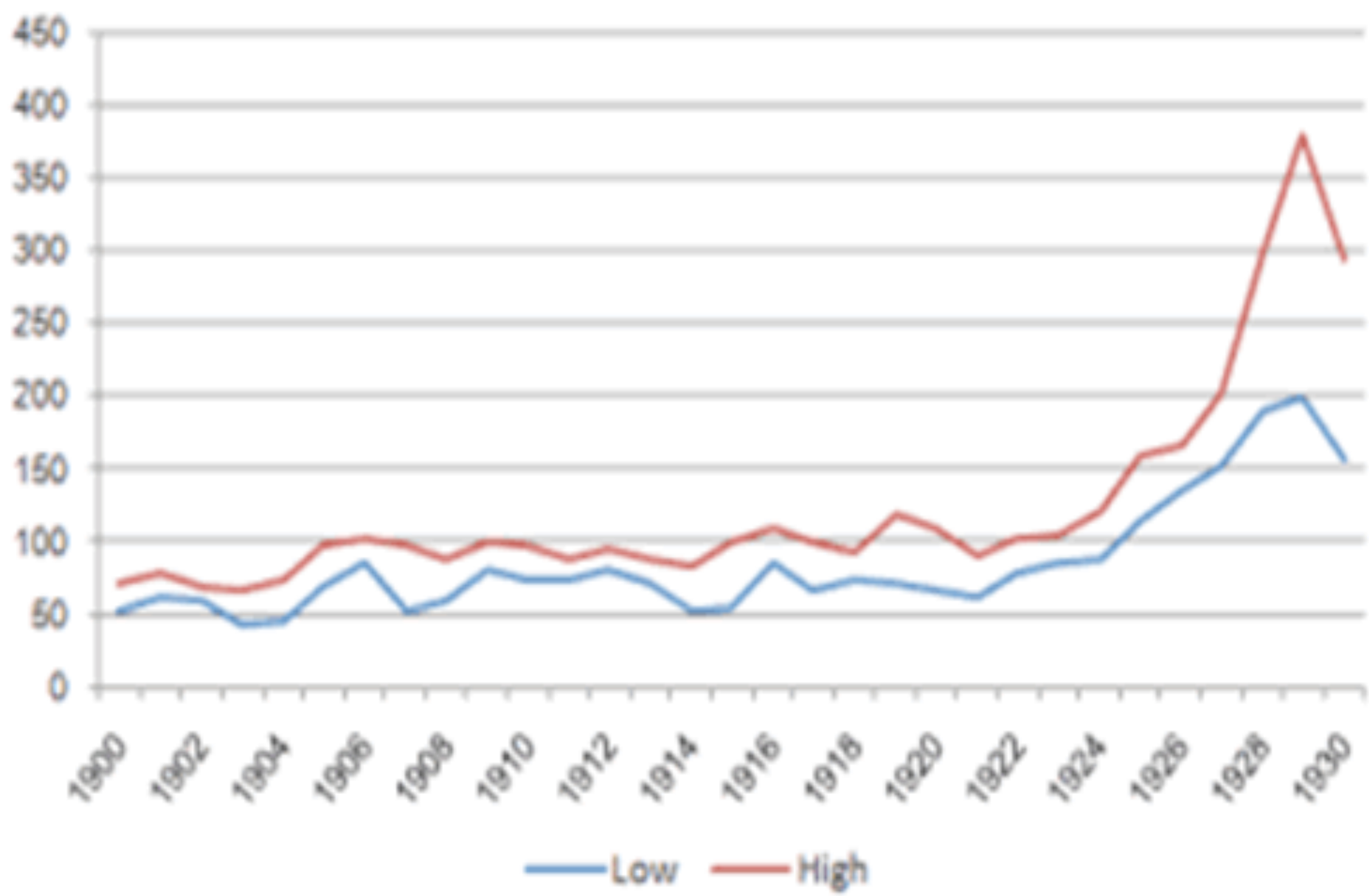
Main Idea:

During the 1920s, rising wealth and a booming stock market gave Americans a false sense of faith in the economy. In fact, there were signs that the economy was in trouble.

Economy Appears Healthy

- The U.S. economy in the early to mid 1920s was strong and for the most part healthy.
- Stocks were valued at $27 billion in 1925 and that number rose to $87 billion by October 1929.
- Real wages increased 40% in the 1920s and unemployment averaged below 4% (even with the use of the assembly line).
- The government also believed the economy was strong, even though many Americans were buying stocks with borrowed money in the late 1920s.
- President Hoover predicted, “poverty will be banished from this nation.”

Growth Of The Stock Market 1900 - 1930



Economic Danger Signs

- There were many signs of trouble for the U.S. economy that most people failed to recognize.
- The U.S. had a wide gap between the rich in the poor, both individually and in business.
- In 1929, 200 companies controlled 49% of American industry: 24,000 families or .1% of the population earned over $100,000 a year with 513 of those families being millionaires:
- 71% of Americans earned less than $2,500 a year with 80% of all families having no saving accounts.

1920s Wealthy v. Poverty

Economic Danger Signs Continued

- Another problem was installment buying.
- People purchased larger items such as cars or furniture on credit and could pay off the item after several months but with interest added to the payments.
- The final problem was a "get rich quick" attitude. People recklessly used **speculation** and **buy on margin** in the stock market. Brokers charged high interest and could demand payment of a loan at any time.


BLACK
TUESDAY
NEW YORK, TUESDAY, OCTOBER 29, 1929
THE STOCK
MARKET CRASH
OF 1929

Overproduction Of Goods & Crops

- American industry began over producing items in the 1920s thanks to the assembly line.
- Warehouses began stocking unbought consumer goods.
- Farmers never prospered in the 1920s. Machinery allowed farmers to grow more crops, but the surplus crops lowered crop prices. Many farmers lost their farms and 6,000 rural banks closed when farm loans were not repaid.
- Factory workers still worked long hours for little pay allowing factories to keep most of the profit.
- This is <u>*ONLY*</u> the beginning…… to be continued……………..

Cotton Warehouse

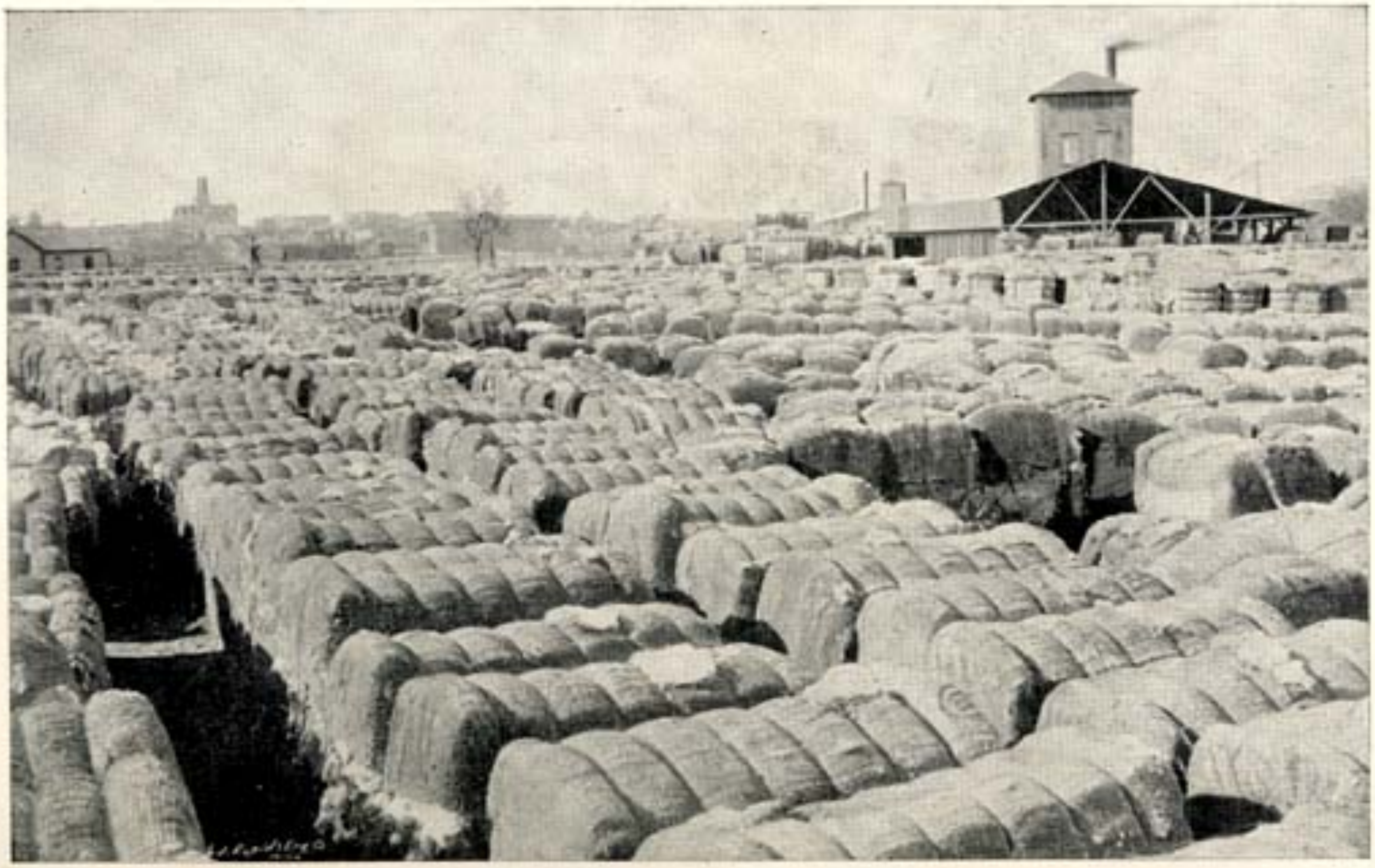


Fig. 8. Cotton Bales as Brought to the Compress.