

# [Usa features of economic boom in the 1920s](https://assignbuster.com/usa-features-of-economic-boom-in-the-1920s/)

Explain the main features of the economic boom in the 1920s. The economic boom was a period also commonly referred to as the ‘ Roaring ’20s’. It describes a time in American history of great economic growth over a very small period of time. It had various features which all contributed to it.

In the boom period, average working hours dropped from 47. 4 hours to 44. 2 per week. This meant that extra time could be dedicated to leisure. Average wages also increased by 11%. This meant that people had more disposable income. These two combined to form more time and more money for people, most of which went into entertainment.

The radio was a form of entertainment. Almost everyone in the USA listened to the radio, with most households owning their own one. A reason they could all afford one was because they could buy it in instalments, rather than all in one go, known as Hire Purchase. In early 1921 there was only one radio station. By the end of 1922, there were 500. This is an example of the huge consumerism boom. By 1929, the radio station NBC, made over $150M a year. The boom of the radio enabled jazz music to come around.

Jazz music became an obsession for the young people of America. Black people brought jazz and blues music into the cities where it commercially grew and developed. This helped to develop a new type of culture and behaviour for people in the cities, which was often seen as corrupt by the southern states and the older generation. This was also a major reason the radio stations were created – there was new content to air.

Another form of entertainment that was invested into was the cinema. A major film industry started to develop. This was known as ‘ Hollywood’. Many films were made due to all-year-round sunshine. Comedy stars started to be created and many famous faces started to emerge from this. A well renowned one was Charlie Chaplin. It was estimated that 100M cinema tickets were being sold a week in 1929. These cinemas needed cars in order to travel to them.

The invention of the car enabled people to visit the cinema and their various leisure activities. It opened up the suburbs as people could easily access them without hassle. It allowed boyfriends and girlfriends to be alone together in comfort. It allowed people to go

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on holidays to the beach, shopping trips, take them to sports venues, and visit family and friends. It could for the first time be easily purchased with the creation of hire purchase. This involved paying a down payment for the car, then paying the majority in weekly or monthly instalments until the amount with interest was paid back.

To conclude, many features contributed to the boom. The biggest must have been the entertainment industry which rapidly expanded on all fronts, and the brand new invention of the car by Henry Ford. Despite this, none of the factors could have occurred to contribute to the boom without the decrease in working hours and the increase in pay.

Why did the Wall Street Crash Occur?

There were many contributing factors to the Wall Street Crash. Over the boom period there were long-term reasons. One of these was overproduction. With the new method of mass-production, a huge number of consumer goods could be created in a very short space of time. There was a consequence to this however – too many were produced. Due to this the market was becoming saturated. The people with disposable income (only roughly half the population) who could afford goods, had already bought them, and so there was no longer any need for them. This left a large surplus of goods which could not be sold, many of which were still being made on the production line. Normally the USA could sell theses goods to other countries but there were trade issues.

The USA could not sell its extra goods abroad, mainly to Europe since these countries had their own financial problems and could not afford to buy American goods. The reasons for this were that in WW1 European countries such as Britain and France had taken huge loans from the USA, which they now were struggling to pay back. They could not even earn money by selling their own produce to America since the US government placed high tariffs on imported goods so hardly any of the population would buy them.

Many Americans could not even afford to buy goods since they were in Poverty. The huge wealth created by the boom was not shared by all. Only half of US families had an income of over $2000 per annum – which was recognised as the bare minimum a family in the 1920’s could survive on. Farmers and sharecroppers who were in the farming industry only just managed to survive. This was since when America industrialised and many moved to the big cities, these stayed behind. People who had only just immigrated to the USA were given the poorest paid jobs such as cleaners. People who worked in the old industries suddenly found that they were not doing as well since the newer industries were experiencing the boom wealth. These old industries included the coal one which was being taken over by the newfound and rapidly growing electricity companies. Despite the abolition of slavery, black people were still discriminated against and lived in poverty. All of these factors reduced the profits made by large companies, and in turn, caused the share price to suffer.

These long term reasons brought on the short term reason of the Wall Street crash known as speculation. After 1921, American businesses made large profits as the new system of

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mass production had just been introduced in factories. Because of this the stock market, Wall Street, where shares were bought and sold, was very successful and share prices increased and for a while, many investors enjoyed large profits. Despite this, from the mid 1920’s many more people began to speculate – people assumed that companies would do well and the share price would continue to rise. Since many people did this, share prices soared to much higher than their true value, causing people to be mislead into thinking that they would definitely make a profit. As a result, people who did not have lots of money took out huge loans from the bank and bought shares ‘ on the margin’. This meant that roughly 80-90% of the amount they paid was actually borrowed from the banks. They would be able to repay loans and still profit if the share price did well – but only if it did well. This mass buying further pushed up share prices.

This false speculation caused many experts to start heavily selling shares in 1929 since they recognised the problem with the weak economy and high share prices. This was the trigger event and the final reason that the Wall Street Crash occurred – people panicked and started to sell shares fast. This caused the share price to fall instantly and the whole stock market collapsed. The boom had finally gone bust.

To what extent did all Americans benefit from the boom in the 1920’s?

The economic boom financially made many American’s better off due to the large profits. Despite this, the extra disposable income was not enjoyed by all.

In general, most farmers were worse off. These tended to be since most were traditional wheat farmers and sharecroppers, since this was being overtaken by new types of crop. From my contextual knowledge I know that the US farms income fell from $22Bn in 1919 to only $13Bn in 1928 – a fall equivalent to $1Bn a year. Despite this, newer farmers who farmed fruit for instance, benefited from the boom, as the popularity and demand for fruit and vegetables increased. It was also since transport for their goods had developed.

People in the old industries suffered heavily. The coal industry which was originally very successful fell in profits, as its demand was being taken over by its competitors from the new industries of electricity and oil. The workers of these old industries inherited the loss in profits. At a time where the decent wage was considered $48; in the coal men were being paid $18 and women only $9. The cotton industry suffered as the silk produced had been unsuccessful since a cheaper alternative (Rayon) was used instead from abroad. Businesses in North America suffered from cheaper labour in the southern states. The old industry did not benefit at all from the boom.

Many new industries such as construction did very well and experienced a major boom. With the new invention of the car due to mass production, there were many cheap cars. From my contextual knowledge I know that there was about 1 car for every 5 people. Due the vast number of cars on the street, many more and larger roads had to be built which brought huge business. The housing construction industry also embraced a boom with a large demand for houses to be built on these roads.

The rich and middle classed benefitted from the boom. 29% of skilled workers owned a car whereas for the unskilled the figure was only 3%. Many more millionaires were created during the boom period since in 1914 there were 7, 000 millionaires. This figure increased five-fold to 35, 000 by 1928. In addition, the world’s first billionaire was created by the name of John D. Rockefeller who made his fortune through the Standard Oil firm.

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The black people in the southern states did not benefit from the boom as they were still being discriminated against and many still lived in poverty. When farming problems started in the build up to the Wall Street Crash, southern black farmers were affected first. Many migrated north out of the Bible belt. The New York population increased from 15, 000 to 330, 000 from 1920-1929, showing that more people were leaving rural areas and moving to built-up ones.

In the north the black people did prosper from the effects of the boom. There were small black middle class people, though mainly in the big cities. In 1930 blacks held a protest by refusing to shop in a chain of stores until they were allowed to be employed. It was successful and conditions were improving, though even in the north some still led poor lives and had a much lower life expectancy than white people.

As for women, it was impossible to say if they were benefitting or not as half the country’s population is too general. They benefitted in terms of jobs as after WW1 when women started having real working roles, more jobs were available to women. Women were now also allowed to vote due to the universal suffrage – a huge breakthrough. Many housewives also benefitted with the new electrical consumer goods such as fridges and washing machines which made housework easier. Kissing was seen as acceptable in public now improving their social life, and had a right to a say in divorce. There were movements that helped to liberate women. However, they were still paid considerably less than men.

To conclude, not all Americans benefitted from the economic boom. Newer farmers, new industries, the rich, women and northern states’ blacks all benefitted, with the new industries experiencing the greatest boom. On the other hand, traditional sharecroppers and wheat farmers, old industries and southern states’ blacks all did not benefit, with old industries losing out greatly. As a final note, the boom was a rapid change in the economy, and only benefited the newer changes, which were either born from it, or were starting up and ready to embrace the boom. As they could easily alter and mould around the boom taking advantage, rather than trying to continue the old ways, the new groups of people were able to reap the rewards from the economic boom.