

The Economy of the 1920s

I. Post-WWI economy

A. After WWI, there was a brief economic recession (DEFINE)

1. WHY?

- a) Europe was rebuilding
- b) Markets and factories were changing over from wartime production to peacetime
- c) Unemployment rates briefly went up as soldiers returned home to their jobs and displaced wartime workers
- d) No government aid given (remember the belief in laissez-faire was strong at this time!)

B. However, by the early 1920s, the economy and the nation had recovered.

II. 1920s optimism

A. Americans in the 1920s were feeling optimistic about life. WHY? (LIST factors)

III. Economic growth in the 1920s

A. The happy mood of the 1920s was encouraged by the economy.

1. National income (the amount that people earned) grew over _____% between 1919-1929
2. The market value of stocks (the total value of stocks sold) soared from \$27 billion in 1925 to \$87 billion by October 1929
3. Real wages (MEANING WHAT? _____)
_____) also increased more than ____%.
People therefore were able to get more for their money than they could just 10 years before.

IV. Wealth Disparity (KEEP THIS IN MIND FOR LATER...)

A. In spite of the economic optimism, the nation's wealth was not distributed evenly:

1. There was a big divide between urban/corporate vs. rural/agricultural.
2. In 1929, 71% of the population had incomes less than \$2500 per year. (To put that in perspective, that's the equivalent of earning \$36,000 in 2017 dollars. The federal poverty line today is set at \$28,000 for a family of 5.)
3. The top 1% had as much wealth as the next 42% of the families. (This was in part due to the consolidation of big businesses and decline of small business that happened in the Industrial Era.)

B. THINK: WHY MIGHT THIS DISPARITY/GAP BE PROBLEMATIC DOWN THE ROAD?

V. Rise in Consumerism

- A. By the 1920s, much of America's wealth was generated through the manufacturing and sale of consumer goods.
- B. **Consumerism:** (DEFINE)
- C. In the early years of the decade, America became a consumer-driven society. (Give 2 examples to support this statement.)
- D. Creation of a consumerist society
 1. Thanks to rising incomes & credit, more people could afford new products like washing machines, radios, cars, etc..
 - a) By 1929, _____ of all families had vacuum cleaners and _____ had toasters.
 2. New scientific developments made life easier.
 - a) In 1919, 1/6 of all Americans lived in homes with electricity. By 1929, however, 2/3 of all Americans live in homes with electricity.
 3. Millions of new industries were created to build things, which by extension opened up new job opportunities and led to an even greater increase in wages.
 4. The _____ also helped speed up the process of making consumer goods.

VI. Growth of Credit

- A. In the 1920s, there was also an increase in buying thanks to the existence of **credit** or installment buying. (DEFINE/EXPLAIN)
- B. This allowed millions of Americans to buy products without having to pay in cash, in full. Consumption/buying therefore was no longer isolated to the rich in the '20s.
 1. UPSIDE: more people could buy fun things (Yay, cars!)
 2. DOWNSIDE: a big increase in personal debt

VII. Mass culture

- A. In the Industrial Age, the lives of the working class differed drastically from the lives of the wealthy. Those who lived in the country had an entirely different existence than those who lived in the city.
- B. By the 1920s, these lines had blurred.
 1. More people were moving from the country to the city.

2. Inventions like the radio and car were helping to break down geographical barriers.
3. Wealth was no longer a prerequisite to buy products.
- C. All Americans began to participate in and be exposed to the same culture.
- D. America developed a **mass culture**. (DEFINE)

1. The radio, automobile and rising income enabled all Americans in the 1920s to access the same products, listen to the same sporting events, buy the same products, etc..

VIII. Advertising to the Rescue

- A. America's mass culture was also spread by advertising.
- B. Why? (LIST 2 reasons)

1920s Advertising Worksheet

Directions: Study the advertisement you're given and answer the following questions.

1. What product or service is being promoted? _____
2. What facts about the product does the advertisement provide? (List 2-3)
3. What does the advertisement do to appeal to men? To women? To youth?
4. If there are people pictured in your advertisement, do you think that they are the typical consumers of the 1920s? Explain.

5. What is the unstated message that the advertiser is using to persuade people to buy the product? (For example, if you buy this product, you will be rich, beautiful, etc.)

What generalizations can we make about 1920s advertising? (social/cultural values, desire for a product, demand, messages about beauty, wealth, etc.)