

## Objectives

- Describe the causes and effects of the industrial boom that occurred in the 1920s.
- Explain how rising stock prices encouraged many to borrow money to invest in the stock market.
- Identify groups that did not profit from the prosperity of the 1920s.
- Describe the election of 1928 and Herbert Hoover's victory.



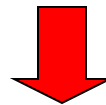
## Terms and People

- **installment buying** – buying on credit
- **bull market** – a period of rising stock prices
- **buying on margin** – borrowing money in order to buy stocks



## What economic problems threatened the economic boom of the 1920s?

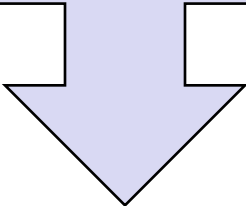
The prosperity of the 1920s hid several economic problems.



Many Americans were **spending** and **investing** their money recklessly. These problems would eventually lead to a **devastating depression**.

## The 1920s was a period of industrial growth.

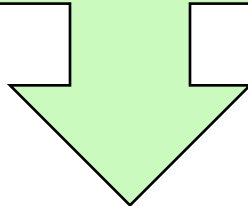
Companies made lots of consumer goods.



Prices on most goods dropped.



At the same time, American incomes rose.



Americans spent more of their money on consumer goods.

The new consumer culture was encouraged by businesses and the government.

incentives from  
businesses

- chain stores and mail order catalogs
- **installment buying**
- advertisements

incentives from the  
government

- tax cuts for the wealthy
- high tariffs on imports

Middle class women were particularly interested in purchasing new appliances.

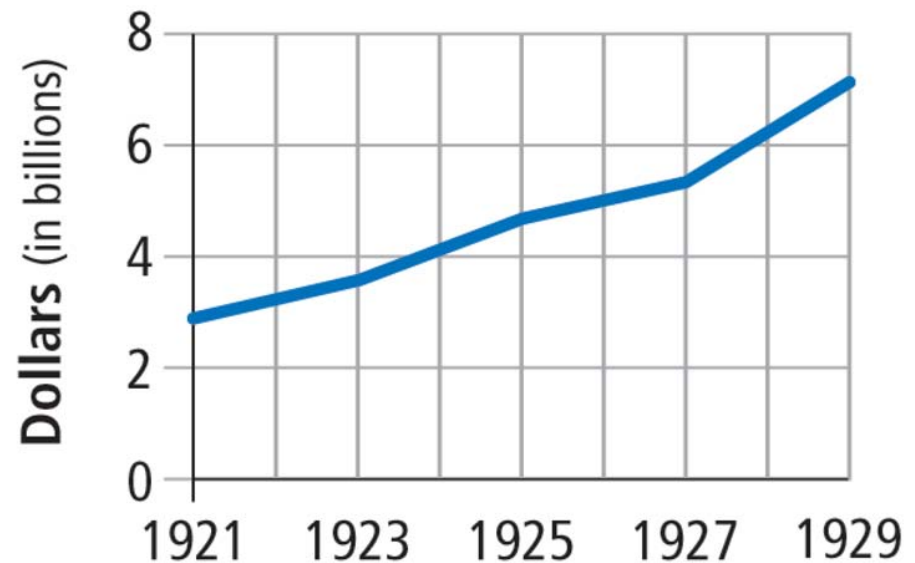


The measures to increase spending had both **positive** and **negative** effects.

On the one hand, the **economy** improved.

On the other hand, **Americans** began spending **recklessly**.

### Consumer Debt, 1921–1929



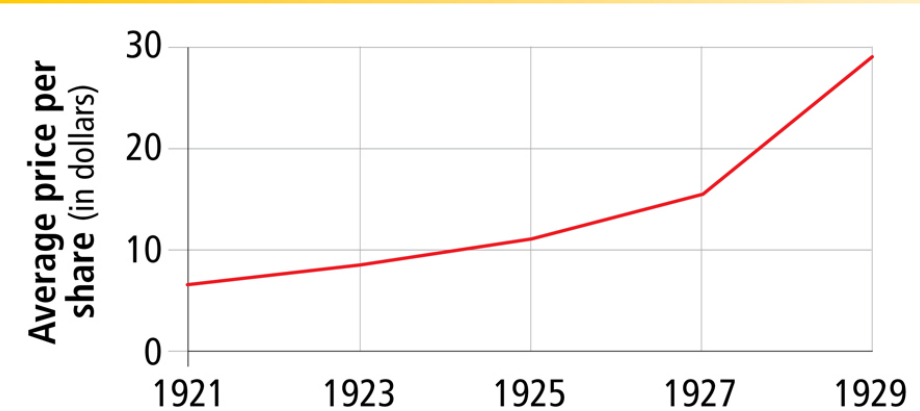
SOURCE: *Historical Statistics of the United States*

With a strong economy, more Americans invested in the stock market.

This created a **bull market**, a period of rising stock prices.



Average Price of Selected Stocks, 1921–1929



SOURCE: *Standard and Poor's*

Stocks were so profitable that many people began **buying on margin**, or borrowing money to buy stocks.

## The Process of Buying on Margin

### Investor buys stock on margin

Investor pays for part of the stock and takes out a loan from a broker for the rest.

### Stock Price Rises

Investor pays off the margin loan and earns a profit.



### Stock Price Falls

Investor must put more money into the margin account, or sell stock, losing part or all of the original investment.



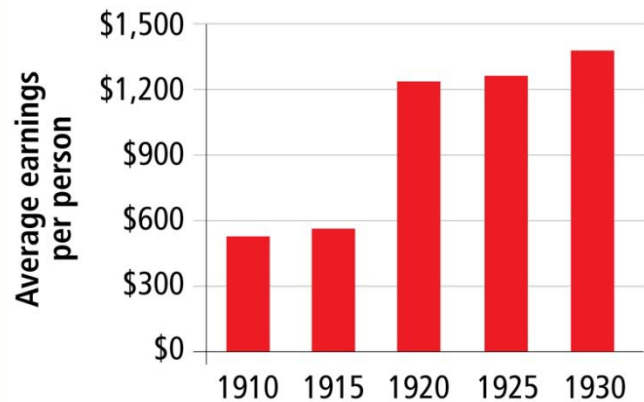
By 1928, some economists began to worry about the stock market.

High stock prices did not seem to match the actual value of those companies.

But many Americans were growing rich buying and selling stocks, so most investors ignored these warnings.

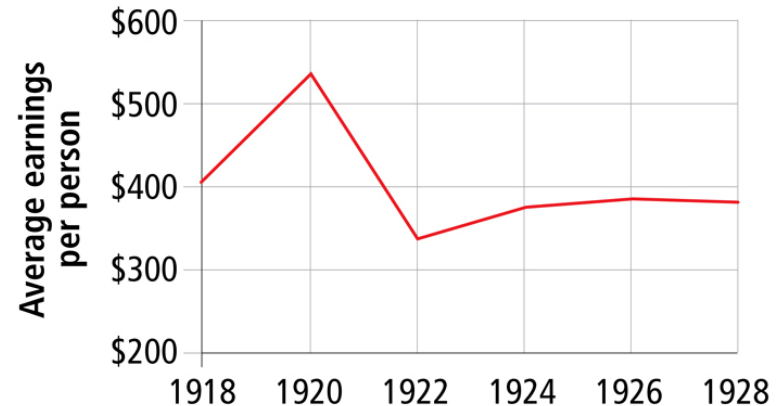
Not all Americans shared in the prosperity of the 1920s.  
**Most farmers at this time lived in poverty.**

**Earnings of Nonagricultural Employees, 1910–1930**



SOURCE: *Historical Statistics of the United States*

**Earnings of Agricultural Employees, 1918–1928**



SOURCE: *Historical Statistics of the United States*

## American farmers began to struggle after the end of World War I.

### Before the War

U.S. farmers sold many of their products **overseas**.

Many farmers took out **loans** for new lands and equipment.

### After the War

Many nations were **too poor** to buy U.S. farm products.

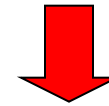
**Sales fell**, and farmers could not repay their loans.

The 1920s were years of mixed results for American workers.



## Positive Changes

Wages were rising, and companies began to offer benefits such as paid vacations.



## Negative Changes

Unemployment was high. The assembly line system put many skilled laborers out of work.

Republicans had held the presidency throughout the 1920s. They wanted to maintain that control in the 1928 election.

The Republican candidate was Secretary of Commerce Herbert Hoover.

The Democratic candidate was New York Governor Alfred E. Smith.

The 1928 election highlighted some of the continuing divisions in American society.

### Issue #1: Religion

Smith was Catholic.

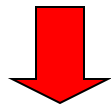
He was supported by urban residents, immigrants, and Catholics.

Hoover was a Quaker.

He was supported by rural residents and Protestants.

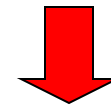
## Issue #2: The Economy

The Democrats could not claim responsibility for the prosperity of the 1920s.



Smith won the largest cities but lost most states.

Hoover promised to continue successful Republican policies and to end rural poverty.



Hoover was strong in rural areas. **He won the election of 1928.**

## Section Review

QuickTake Quiz



Know It, Show It Quiz

