

America in the 1920s [Revision]

After World War One Americans turned their backs on the rest of the world. This was called 'Isolationism'. America became Isolationist because they had lost 116,000 men during World War One and Americans felt it wasn't their war. They felt the Treaty of Versailles showed Europeans being selfish [France wanted revenge on Germany] and GB wanting Germany's colonies.] The arrivals of immigrants from non-WASP countries also made some people want the government to cut them off from the rest of the world.

The American government did several things to cut America off. The passed the Fordney-McCumber Tariff Act. A tariff is a tax on foreign goods. Goods coming into America became more expensive. People bought US goods instead. This helped American goods expand and so they employed more people and so more people had money etcIt also meant that Americans had less to do with the outside world. America refused to sign the Treaty of Versailles. This meant they were not in the League of Nations. This meant America had less contact with the rest of the world.

In the Eighteenth Century immigrants were WASPS [white Anglo-Saxon protestants]. The New immigrants were Chinese, Greek and Italian, Jews, Slavs. To cut the number of non-WASPS the 1917 Literacy Test meant Immigrants had to read English. This favoured the WASPs. The 1921 Emergency Quota Act meant 3% of population of that ethnic group [measured in 1910]. As there were lots of WASPs and less Chinese it meant more WASPs and fewer Chinese came in. The 1924 National Origins Act made the figure 2% of population of that ethnic group [measured in 1890]. By 1929 no Asians came into America.

People became a lot more prosperous [well off]. The Republican Presidents [Warren Harding and Herbert Hoover] did not believe in government control. They allowed people to borrow and banks to lend without much regulation. This was ok when things were going well but left lots of people with debts they could not pay when things went badly. Hire purchase meant paying a deposit, getting a good, e.g. A radio and then paying the rest off later. It meant people felt richer as they got hold of goods now. As long as wages went up people could afford to pay.

Henry Ford invented the assembly line. The a product, e.g. a car, would start at one end of the line. It went through the factory and at each stage someone fitted one part to it—e.g. the doors. The advantage of this was that it made each person a specialist and so quick at a single, small part of the whole process. The car came to them, saving time. The effect was to cut the price of a car. A Model T for in 1909 cost \$950. In 1928 only \$290. It meant more people could afford cars.

Shares were another source of wealth. People bought shares and sold them for a profit. Over the 1920s share prices went up 300%. Not only did people sell shares for a profit but when the company was doing well they would get a dividend – a payment based on the number of shares they had. People thought shares would just keep going up in price. They borrowed 'on the Margin' to pay for them. Buying on the Margin meant paying 20% and borrowing 80% of the cost. This worked well while prices were going up.

America was a very divided country. In the Southern States [e.g. Mississippi] black peoples suffered from segregation. Black people could not travel, eat etc with whites. Marriage between black and white was illegal in some states. Blacks got the worst education and job opportunities. These were backed by the so called 'Jim Crow' laws. Blacks were prevented from voting. A million black people moved north for better jobs in the 1920s. The KKK rose to 5 million members in 1925—part of the reaction to WW1 and immigration. The KKK included judges and the police so was free to lynch black people and burn black churches. In 1925 a leader, David Stephenson, was convicted for rape and the group declined.

Americans were divided over drink. In 1919 the Volstead Act banned the sale and importing of alcohol. This was passed because banning booze was seen as Anti-Crime: 50% of crime was linked to drink—e.g. fights / murders. Booze was Anti-Social: Drunks looked after children badly, were late for work and beat up their partners. Banning booze was Anti-German: The biggest brewers were people like Busch were German and drunks turned up late for work. USA went to War with Germany in 1917. The Anti-Saloon League wanted to ban booze. They would vote for people who supported Prohibition. This meant Senators who needed votes supported prohibition.

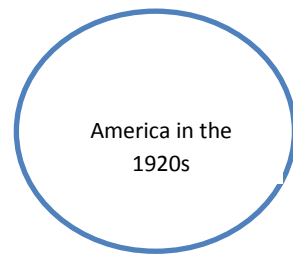
Prohibitions lead to crime. It gave criminals easy access to big profits—selling alcohol. They spent the money on guns—to protect their business—and bribery for police and judges. In Chicago 227 people died in gang violence and no one was arrested. Instead of ending crime it made it so much worse. Speakeasy were Illegal bar selling booze. There were 200,000 across America. Al Capone made \$60-100 million a year from his business. Al Capone made a fortune in Chicago. He had someone organise his publicity, appeared as 'a businessman' and gave money to set up a soup kitchen. He mixed with the famous as a celebrity. Bootlegging was smuggling booze into America, especially whisky from Canada and rum from the West Indies. Moonshine is illegally made spirits. 5000 people a year died from badly brewed liquor.

By the Summer of 1929 the American economy was edging towards problems. Firms had over produced. They had too many goods and people were not buying everything they made [people could only afford so many radios, vacuum cleaners etc]. They could not sell the extra stock abroad as countries had put tariffs on American goods making them too expensive. They could not sell them to the 71% of Americans who lived in poverty – they did not have enough to pay. So they sacked workers. This meant even less people had money so they bought even less. People began to get nervous about the shares they owned. Maybe they were not worth what they had paid for them. Share prices began to wobble in September 1929 but the Banks bought shares and stabilised the market. Then...

Black Thursday. 24th October—panic - 13 million shares were sold. 29th October Investors sold for whatever they could get. For example the company 'Radio' saw share prices fall from 505 to 28. People no longer got dividends. People no longer could sell shares to buy things. People, worst of all, had big debts to pay for shares which were worth nothing. 100,000 companies went bankrupt. Unemployment rose from 1 million to 12 million. [from 3% to 25% of the population.] Those left in work faced big problems. There were less promotions for those left in work. Wages were cut from \$28 a week to \$22 a week.

Banks demanded repayment of loans. People who had borrowed to buy shares could not pay and went bankrupt. Firms who had borrowed money had to pay it back—and they went bankrupt putting more people out of work. People panicked. They heard banks didn't have their money. They rushed to get their money out before their bank collapsed. This 'Run of the Bank' caused more panic. Banks shut because they couldn't get hold of the money they had loaned.

Unemployed people could not afford rent or pay a mortgage. 250,000 became homeless. Some became hobos [tramps]. Many built shacks out of scraps called 'Homervilles.' Hoover became the butt of many jokes. Cardboard soles for shoes became known as 'Hoover Leather.'



America in the
1920s