Recovery, Depression and Crisis

A Half-Century of Crisis and Achievement (1900–1945)

Contents

Thematic Icons

- Economics and business
- Geography and environment
- Historical concepts and questions
- Politics, government and citizenship
- Religion and thought
- Society and culture
- War, diplomacy and foreign policy

Icons: For more detailed instructions, see the *User Guide*

Flash activity (these activities are not editable)

Teacher notes included in the Notes page

The Roaring Twenties

By the end of this section, you will have learned about the Roaring Twenties and understand the main causes of the economic boom:

- the main causes of the economic boom
- social and technological changes
- the causes of the Stock Market crash of 1929.

Laissez-faire capitalism

The 1920s was an era of prosperity in the U.S., which had ample natural resources like rubber, wood, and oil. During World War I, the U.S. had supplied Europe with many goods and had even taken over some markets completely.

The Republican presidents Harding, Coolidge, and Hoover followed a policy of "**laissez-faire**" capitalism. They refused to interfere in business and kept taxes low. There were also high tariffs on imported goods so that they were more expensive than "home made" products.

These things, combined with a "live for the moment" attitude, lead to a high level of consumer confidence, increased consumption of goods and services and investment in stocks.

Reasons for the boom

There were numerous causes for the economic boom:

Higher wages and lower taxes increased **disposable income**.

New inventions like plastics and electricity pushed the price of goods and the cost of living down.

Credit allowed ordinary Americans to buy expensive consumer goods by paying in **installments**.

Reasons for the boom

The **assembly line** allowed for the faster, cheaper production of goods.

Advertising became more prevalent and convinced people to buy more things, fueling the cycle of consumption.

European recovery

To help Europe recover after World War I, banks in the U.S. loaned money to European companies. This was particularly important for Germany, because without these loans or the opportunity to sell goods abroad, Germany would not be able to make the repayments imposed by the Treaty of Versailles.

By the end of the decade, European countries owed vast amounts of money to U.S. banks. This became very important after 1929.

Why did the dependence of European recovery on U.S. loans become important later on?

New technology

During 1920s, several technological advancements were made in the U.S. Press on the tabs to find out about areas of progression during this period.

Press **start** to begin.

start

Read this passage about the era of Prohibition in the U.S. and select the correct words to fill the gaps.

Press **start** to begin.

start

Why did Prohibition lead to an increase in criminality?

The seeds of the Depression

Although the 1920s was generally a time of prosperity, not everyone experienced the economic boom.

U.S. farmers borrowed money during World War I so that they could expand production and sell goods to European countries that were experiencing shortages.

However, after the war, European agriculture recovered and demand for food imported from the U.S. decreased. American farmers no longer made as much money, but still had outstanding debts for the machines they had bought.

As the 1920s progressed, many farmers went bankrupt.

Buying on margin

During the 1920s, many Americans bought shares of stock. A share of stock represented part ownership of a company. Watch this animation to find out about buying stock on the margin.

Press **start** to begin.

start

The Wall Street Crash

In October 1929, the stock market was extremely unstable. Stock brokers, nervous that the economy was not doing well, started to sell off large amounts of stocks.

The value of stocks began to fall, leading to widespread panic. On October 29, known as "Black Tuesday", over 16 million shares were traded. This led stock brokers to make margin calls, demanding that people repay the money they owed.

The Stock Market Crash sparked an international financial crisis which was to have devastating long-term effects.

What caused the Crash?

Historians have identified many factors which led to the Stock Market Crash. Decide how important you think the following factors were, then drag the marker to the appropriate place on the slider scale.

Press **start** to begin.

start