Chapter 14

Politics and Prosperity
(1920–1929)
Chapter 14: Politics and Prosperity (1920–1929)

Section 1: A Republican Decade

Section 2: A Business Boom

Section 3: The Economy in the Late 1920s
• What events fueled the Red Scare of the early 1920s?
• What conflicts led to the major labor strikes of 1919?
• How did Republican leadership during the Harding and Coolidge presidencies shape the 1920s?
• What issues influenced the presidential election of 1928?
The Red Scare

Issues of concern in the presidential election of 1920:
- Emerging from the shadow of World War I
- Putting the economy back on track

Republican Warren G. Harding called for a return to “normalcy.”

Many Americans hoped that Harding’s “normalcy” would protect them from the spread of Russia’s communism, an ideology openly hostile to capitalism and First Amendment freedoms.

Some Americans were concerned that the European immigrants entering the United States were Communists or other radicals.

Events at home and abroad brought about a Red Scare, an intense fear of communism and other radical ideas.
### Red Scare Events

**Schenck v. U.S.**

Charles Schenck mailed letters urging men to avoid military service. Schenck was convicted of breaking the Espionage Act. In his appeals, Schenck said he was exercising his freedom of speech. The Supreme Court said that the government is justified in silencing free speech when there is a “clear and present danger.”

**Gitlow v. New York**

Socialist Bernard Gitlow published calls for the violent overthrow of the government. He was convicted of criminal anarchy. The Supreme Court upheld his conviction, stating that he had urged people to engage in violent revolution.

**The Palmer Raids**

Attorney General A. Mitchell Palmer ordered the arrest of thousands of suspected “subversives” (people trying to overthrow the government) without evidence. Many were innocent, yet more than 500 were deported.

**Sacco and Vanzetti**

Two anarchists were accused of a robbery and murder. Many people believed that they were singled out because they were both radicals and immigrants. After a trial that many believed was unfair, the jury found them guilty and sentenced them to death.
Labor Strikes

Chapter 14, Section 1

Union Membership, 1919–1929

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SOURCE: Historical Statistics of the United States, Colonial Times to 1970

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### Foreign Policy
Harding and many Americans wanted a policy of **isolationism**, avoiding political or economic alliances with foreign countries. Harding called for international **disarmament**, a program in which nations voluntarily give up their weapons. He promoted the expansion of trade and acted to protect business at home.

### Domestic Issues
As Americans became more isolationist during the Red Scare, they also became more nativist. Nativism is a movement favoring native-born Americans over immigrants. In 1921, Congress passed a law restricting immigration. The law included a **quota**, or a numerical limit imposed on immigrants.

### The Teapot Dome Scandal
In 1923, corruption scandals rocked Harding’s administration. The worst was the **Teapot Dome Scandal**. Harding’s Secretary of the Interior secretly gave drilling rights on government land to two private oil companies in return for illegal payments. There was no evidence that Harding was involved in the scandals. He died while still in office.
Coolidge assumed the presidency after Harding died. He summed up a major theme of the Republican decade: “The chief business of the American people is business.”

Coolidge supported a laissez-faire approach to business. His economic policies helped fuel the economic boom of the 1920s.

Coolidge wanted peace and stability without getting the United States too deeply involved in other nations.

Secretary of State Frank B. Kellogg worked with the French foreign minister to create the Kellogg-Briand Pact. Under this pact more than 60 nations agreed not to threaten each other with war. Unfortunately, there were no provisions for enforcement, and many of the countries that had signed the pact would be at war with each other by 1941.
How did the Red Scare contribute to America’s policy of isolationism in the 1920s?
(A) It made Americans more nativist.
(B) It caused a significant American military increase.
(C) It helped Americans form stronger relationships with non-Communist countries.
(D) It decreased U.S. involvement in Latin America.

What was the Kellogg-Briand Pact?
(A) A treaty outlawing war
(B) A treaty outlawing trade with Communist countries
(C) A treaty supporting war against Communist countries
(D) A treaty supporting international civil liberties

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A Business Boom

Chapter 14, Section 2

- What role do businesses and consumers play in a consumer economy?
- How were Henry Ford and the automobile important to the 1920s?
- In what ways did industrial growth affect the economy of the 1920s?
- Why did the economic boom bypass some people and benefit others?
A Consumer Economy

Chapter 14, Section 2

- The 1920s saw the development of a consumer economy, one that depends on a large amount of spending by consumers.
- Until the 1920s, middle-class Americans generally paid cash for everything. Manufacturers developed installment plans and clever advertising to encourage consumers to buy on credit.
- Many new electric appliances created a surge in demand for electricity. Between 1913 and 1927, the number of electric power customers quadrupled.
- By the 1920s, marketers developed a new approach to advertising. Advertisers used psychology to appeal to consumers' emotions and insecurities to sell products.
- As consumption rose so did productivity. A measure of productivity is the Gross National Product (GNP). The GNP is the total value of goods and services a country produces annually.
- Productivity rose to meet consumer demand, but it also rose because the nation developed new resources, new management methods, and new technologies.
• In 1896, Henry Ford perfected his first version of a lightweight gas-powered car. He called it the “quadricycle.” The improved version was the Model T.

• Ford wanted to produce a large number of cars and sell them at prices ordinary people could afford.

• To sell less expensive cars, he adapted the assembly line for his factories. An assembly line is a process in which each worker does one specialized task in the construction of a final product.

• Ford’s success came partly from vertical consolidation—controlling the businesses that make up the phases of production.

• Ford was a complex businessman. His pay rate was very generous, but he used violence to fight unions.
Industrial Growth

• Automobile making became the nation’s largest industry.
• Thousands of new businesses arose to serve automobile travel.
• Other non-automobile-related industries grew as well.
• Limited government regulation (laissez-faire policies) helped the value of businesses to soar.
• Rapid business expansion opened up opportunities for small companies.

Bypassed by the Boom

• Some Americans struggled to survive during the 1920s.
• Many unskilled laborers remained poor, and their wages and working conditions did not improve with the boom.
• Agricultural industries had expanded to meet wartime needs but later failed to uncover new markets.
• Railroads suffered from shrinking demand, mismanagement, competition from trucking firms, and labor unions that fought against layoffs and wage cuts.
What was the new approach to advertising in the 1920s?

(A) It informed the consumer about the quality of the product.
(B) It showed the product’s superiority over the competition.
(C) It appealed to the emotions and insecurities of the consumer.
(D) It helped the consumer to identify the manufacturer.

In the United States which group suffered economically in the 1920s?

(A) Unskilled laborers
(B) Agricultural workers
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Why did the economy of the late 1920s appear healthy to most Americans?

What danger signs were present in the economy of the late 1920s?
• Herbert Hoover won the 1928 election, benefiting from the years of prosperity under previous Republican presidents.
• Americans had unusually high confidence in the economy in the 1920s. People made risky investments based on the popular notion that everyone ought to be rich.
• Many employers believed that they could prevent strikes and keep their productivity high with benefits that would meet and exceed the demands of workers. This approach to labor relations is called welfare capitalism.
• Under welfare capitalism employers raised wages, provided paid vacations, health plans, recreation programs, and English classes for recent immigrants. They even set up “company unions” to hear the concerns of their workers.
• As a result of welfare capitalism, organized labor lost members during the 1920s.
### Economic Danger Signs

**Uneven Prosperity**
- The rich got richer
- Huge corporations rather than small business dominated industry.

**Personal Debt**
- Many Americans believed that they could count on future income to cover debt. They bought on installment plans boasting “easy terms.”

**Playing the Stock Market**
- The rapid increase of stock prices encouraged:
  - *Speculation*, the practice of making high-risk investments in hopes of getting a huge return, and
  - *Buying on margin*, the practice of allowing investors to purchase a stock for only a fraction of its price and borrow the rest at high interest rates.

**Too Many Goods, Too Little Demand**
- Rising productivity had brought prosperity, but it also created a surplus of goods. Manufacturers had more product than consumers could buy.

**Trouble for Farmers and Workers**
- Farmers unable to pay their debts defaulted on bank loans, which caused rural banks to fail. Coolidge vetoed a farm relief bill.
- While companies grew wealthy, many factory workers remained poor, especially in distressed industries.
Personal Debt and Income Distribution in the 1920s

Chapter 14, Section 3

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(B) To prevent strikes and keep productivity high
(C) To encourage stock market investment
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What is buying on margin?

(A) Making high risk investments in hopes of getting a huge return
(B) Causing a decrease in the price of a stock by spreading rumors about a company
(C) Allowing certain investors to buy stock at a lower price
(D) Allowing investors to purchase a stock for a fraction of its price and borrow the rest

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The Economy in the Late 1920s—Assessment

Chapter 14, Section 3

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