

Chapter 31  
Roaring 20's  
(1919 - 1929)

Red Scare

- Reaction to the 1917 Russian Bolshevik Revolution
- Reaction: Country became anti-labor
  - o Opposed closed-shop laws
    - Laws that some unions had passed successfully; some company could only hire people of the labor union
  - o Favored open-shop policy: "The American Plan"
    - Laws that you could work for company whether or not you were in the union

Klu Klux Klan (KKK)

- Strengthened with "nativist" tendencies
  - o Anti-foreign, anti-Catholic, anti-Jewish
  - o Anti-black, anti-Communist, anti-Pacifist, anti-internationalist
  - o Anti-evolutionist, anti-bootlegger, anti-gambling, anti-birth control, anti-adultery
  - o Reaction to fear of communism and the Great War (WWI)
- Immigration Act of 1924
  - o Quotas for foreigners 2% of 1890 number

Cultural Changes

- Sexual freedom
- Radio
- Air flight
  - o Lindbergh 1927 solo flight across Atlantic
- African Americans
  - o Marcus Garvey United Negro Improvement Association
  - o Harlem Renaissance
    - When Blacks work was well received by other audiences

## Prohibition

- 18<sup>th</sup> Amendment (1919)
  - o Prohibited sell and consumption of alcohol
- Volstead Act
  - o Implemented sell and consumption of alcohol
- Disadvantages
  - o Illegal alcohol sales
- Advantages
  - o Overall alcohol consumption increased
  - o Bank savings increased
  - o Absenteeism at work decreased
- Repealed by the 21<sup>st</sup> Amendment (1933)

## Economy

- Production and Consumption increased
- Moving assembly lines made Automobiles, other goods made affordable to general public
- Buying on Credit became popular- resulting in increased debt

## Tax Policy

- Warren Harding elected in 1921, died in 1923
- Calvin Coolidge took office in 1923, elected 1925 - 1928
- Treasury Secretary Andrew Mellon
  - o Favored rapid expansion of capital investment
  - o Lowered taxes
    - Repealed excess profits tax and gift tax
    - Reduced excise tax, surtax, income tax, and estate taxes
- Prosperity resulted

## Economic Dangers

- Stock market leveraged
- Federal Reserve Board manipulating money supply

## Stock Market

- Buying on Margin increased
  - o Stock purchases with a small down payment
  - o General population invested heavily from tips and in “get rich quick schemes”
  - o Speculators
- Became gambling Den

### Federal Reserve Board

- Established by Federal Reserve Act in 1913
- Set up 12 Regional Banks
  - o “To furnish an elastic currency by discounting notes, drafts, and bills of exchange arising out of actual commercial transactions”
  - o To accommodate “commerce and business with regard to their bearing upon the gen credit situation of the country”
  - o Augmented the gold standard to ensure that the commercial banking system could issue the proper quantity of bank-created money in a timely fashion
  - o Lent money based on factors other than gold to member banks at controlled rates
  - o Fed’s decision replaced self-regulation gold standard
  - o During Board’s first seven years, wholesale prices rose 240%
  - o Unsustainable inflation encouraged borrowing, buying on margin
  - o Fed 1928 attempt to stop stock market boom by freezing money in 1928

### Stock Market CRASH

- October 1929
- By 1932, stocks had lost 90% of their value