Slide 1

A. Prosperous 20's

1. US in the 1920's enjoyed unprecedented prosperity
    a. Total income jumped tremendously
        1. $89 Billion in 1929
    b. Manufacturing output increased 32%
    c. Corporate profits and dividends increased by 62% and 65% respectively
        1. What is a dividend?

Slide 2

B. Tax policies of Andrew Mellon

1. Supply side Economics
    a) Tax the rich less
    b) Deregulate business
2. The rich spent money on luxury goods
3. Farmers were producing too much food
4. Auto Industry thrived…as did fuel, construction, rubber, steel, glass, and textiles.
5. Radio industry thrived… so did broadcasting, networks, electronic stores, electric companies, and advertising agencies
6. Made rich richer, poor still poor

Slide 3

The Gap Widens

C. Unequal Distribution of Wealth on three levels
    1. Between the rich and the middle class (not to mention between the rich and the poor)
    2. Between industry and agriculture
    3. Between USA and Europe

Slide 4

1. Between the rich and the middle class

1. .1% of population controlled most of the wealth and savings in the country.
2. While production went up 32%, wages only went up 8%
3. Profits from increased productivity obviously went to corporate profits
4. Tax breaks + no minimum wage = more $ for rich to invest and save
5. This mal-distribution destabilized the economy

Slide 5

Overproduction of goods

- Both farm and factory produced more than could possibly be consumed
  - Why did they keep making goods then?
    - Economies of scale
- Products were made well…too well
- As fewer goods were consumed, persons were laid off, which led to less consumption, which led to more layoffs, and the cycle continued
- How did banks and business try to fix this?

Slide 6

Buy on credit!

- Credit was developed in order to create an artificial demand for goods in the USA.
- 60% of all cars and 80% of all radios were bought on credit
- Installment plans made it possible for people who could normally not afford items to purchase with very little down.
- By 1929, the US stood at $ 3 billion of outstanding credit
- Results in lots of stuff, little cash.
- Economy is largely dependent on luxury spending …by the rich

Slide 7

2. Between industry and agriculture

a) Government assistance to farmers stopped in the 1920's
b) Farmers couldn't pay debts once crop prices dropped.
c) Drought in Mississippi Valley-resulted in many farmers bankruptcy in late 1920's and 1930's
d) Farms were auctioned off and there was an increase in farm rentals and tenancy among both black and white farmers.

Slide 8

3. Between USA and Europe

a) High Tariffs to protect infant manufacturing industries
b) Hawley-Smoot Tariff 1930
   1) The US raised the highest trade barriers in US history, an average of almost 60% which did not protect American business as designed but further plunged the entire world in to an economic depression.
c) Europe raised trade barriers against US products and further dried up overseas markets
d) War debt not repaid, since Europe could not sell their products.