Challenges of the 1920s

- Polarization over Prohibition
- Crime Wave (and perceived crime wave)
- Political Corruption (Harding Scandals)

Challenges of the 1920s

- Cultural Ferment (women, Jazz, youth culture)
- Rise of Mass Media
- Hostility to civil liberties; red scare
- Rise of the KKK as a national organization

Underlying Problems of the 1920s
Many of the worst features of Gilded Age America continued into the 1920’s.

Antiquated 19th Century infrastructure.

60 percent of the nation lived at or below subsistence level of $2,000 a year.

Vast disparities of wealth.
Regional variations of prosperity vs. depression

Manufacturing declines throughout New England
Coolidge’s refusal to aid the depressed farm sector proved disastrous.

Rural mortgages collapsed: 5,000 rural banks failed & hundreds of thousands of farmers lost their life savings.
Older Americans closer to peril than understood.
Susceptible to Scams Particularly in Real Estate

Women Workers Vulnerable

No Protections, Uncertain Wages

Hostility to Immigrants (and Internal Migrants)
• Violent Hostility toward organized labor
• Economic “dead end”
• No Right to Organize

• Workplace Safety nonexistent
• No Aid to the Disabled
Securities opaque, prone to self-dealing

Banking practices archaic, corrupt, prone to self-dealing

Markets unregulated; era of “self-regulation” (“captivity” of FTC)

Samuel Insull
Treasury Secretary
Andrew Mellon: 1921-1932
The Dominant Economic Policy Figure of the 1920s

Andrew Mellon: Known for:
Extraordinary wealth.
Questionable business practices.
Hostility to labor.
Passion for tax relief for the very wealthy.

William Allen White:
“The reign of Coolidge & Mellon”

Yet, despite all of the often hysterical attacks on the Federal Reserve System, or the Income Tax or the Federal Trade Commission, such as those by Sen. Aldrich and others ...
... the Mellon-Harding-Coolidge-Hoover administrations upheld those developments, and sought to utilize monetary policy, taxes, & regulatory architecture to their advantage.

Monetary policy: often baffling; often out of sync with larger fiscal or economic realities.

Revenue Act of 1921:
Cut Taxes on Wealthy
Raised Tariff.
Secret “Rebates”

Revenue Act of 1921:
Taxes lowered, especially on high incomes and corporations.
Cut Inheritance Tax.
Mellon was genuinely opposed to deficits, & adding to the debt

Fordney-McCumber Tariff, 1922
(a precondition for lowering income taxes on the wealthy)

"'Nem hin' to it, I still say!"
Railroad Strike of 1922: “Daugherty Injunction”
Forbids striking, assembling, picketing & organizing

One of the most extreme acts in U.S. history against constitutional guarantees of free speech & free assembly

Calvin Coolidge
Hostility to Regulation or Oversight of Business or of the Markets

What a friend we have in Coolidge!
Warning signs in the late 1920s

- Inequality was greatly exacerbated
- 1920’s prosperity enriched many, but wealth remained extraordinarily uneven
- 1923-29, share of income of top tier grew enormously

- Business profits grew; consumers saw fewer gains
- Most workers struggled to stay afloat
- More than half of U.S. families remained below the subsistence level
The 1920s & Immigration

- Little interest in the world, incurious
- Enthusiastic, however, about immigration restriction
- Restriction aimed at Catholics and Jews
Immigration Act of 1924

- Legislation aimed at restricting “undesirable” immigration
- Established quotas limiting immigrants of specific national origins (Russian Jews, Italians)

Set annual quota for any nationality at 2% of the number of foreign-born persons of that nationality already resident in the US in the 1890 census

For example, this formula restricted immigration from Italy by more than 90%

Also sharply restricted immigration from origin countries of the majority of the Jews in U.S.
- Jews fled from persecutions in Europe & Russia since 1890
Immigration Act of 1924

- Thus, the use of data from 1890 census as the basis for calculating the restrictions

Massively restricted flight from parts of Europe & Russia
Where much of the Jewish diaspora had previously faced persecution since 1890

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**Immigrants from Europe**

### European Immigration, 1870–1920

<table>
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<tr>
<th>Year</th>
<th>Old</th>
<th>New</th>
<th>New</th>
<th>New</th>
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Signs of Economic Trouble:

- Structural weaknesses lurked in the economy

- Stock market rose but underlying problems remained obscured
- Income inequality soared to untenable heights

- Investment turned into speculation, 1925-
- Housing market softened, 1926-
- Sales of goods flagged, 1927-
- Construction faltered, 1928-

THE NEW IMMIGRATION, 1861-1920

- Northwestern Europe (mostly Ireland, Germany, and England)
- Central and Eastern Europe (mostly Poland, Russia, and Hungary)
- Southern Europe (mostly Italy and Greece)
- Asia (mostly China)
- Other

<table>
<thead>
<tr>
<th>Year</th>
<th>Northw.</th>
<th>Centr. &amp; Eastern</th>
<th>Southern</th>
<th>Asia</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>1861-1880</td>
<td>90%</td>
<td>2%</td>
<td>6%</td>
<td>18%</td>
<td>2%</td>
</tr>
<tr>
<td>1881-1900</td>
<td>51%</td>
<td>25%</td>
<td>14%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>1901-1920</td>
<td>13%</td>
<td>44%</td>
<td>29%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Historical Statistics of the United States
Underlying Problems:

- The financial sector was an unregulated house of cards
- No regulatory oversight of investment; banking practices grew increasingly reckless

Underlying Problems:

- Many put their money into “get rich quick” schemes with no long-term prospects
- Many invested in companies that had no real profits, and no actual products!

Questions?