Politics and Prosperity

The Roaring Twenties

1920-1929

- Americans in 1920 lived in unsettling times. Emerging from the shadow of WWI and putting the economy back on track became significant issues in the presidential race.

- After Wilson, Americans seem to have grown tired of crusading presidents and progressivism as a political force.

- Republican Warren G. Harding struck a chord with Americans with his call for normalcy.

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- By 1920, Eugene Debs ran for President in 1920 (fifth time) from behind bars – he had been jailed during WWI for violating the Sedition Act. He received 3.4% of the vote. He was released from jail in 1921.

- By 1920, Communists, led by Vladimir Lenin, were openly hostile to American beliefs and values such as capitalism, private property, and First Amendment freedoms.

- 1920 Election Results

- Socialistic Party Candidate

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- Nearly 1 million soldiers and more than 8 million civilians died as a result of this civil war.
• Communism meant three things:
  1. The government owned all land and property.
  2. A single political party controlled the government.
  3. The needs of the country always took priority over the rights of individuals.

• For communism to survive, they believed it should be spread world-wide.

• Many Americans feared that communists hid among the immigrants entering the US.

Effects of the Red Scare
• Attorney General A. Mitchell Palmer, launched a task force against suspected subversives.
  • Thousands were arrested and more than 300 were deported.
  • The New York Assembly voted to expel five Socialist members.
  • Two immigrant anarchists, Nicola Sacco and Bartolomeo Vanzetti, were convicted and executed for murder.

Causes of the Red Scare
• Communists attempted to overthrow the German government and took power in Hungary.
  • Thousands of workers' day on strike in Seattle, and were called "Revolutionaries.
  • A number of bombs were sent to government officials.
  • Newspapers whipped up public anxiety with sensational stories.
  • By August, there were nearly 1500 labor strikes each month.

The Case of Nicola Sacco and Bartolomeo Vanzetti
• Italian-born anarchists convicted of murdering two men while burglarizing a shoe factory in Massachusetts.
  • Experts have argued that the conviction was a miscarriage of justice due to problematic testimony, biased juries, and conflicting ballistic evidence.
  • In spite of world-wide protests, the two men were executed in 1927.
  • Many historians believe that Sacco, at least, was probably guilty.

A. Mitchell Palmer
• A Progressive Democratic Congressman from Pennsylvania prior to his appointment as Attorney General.
• Organized the General Intelligence Unit to investigate radicals in 1919, appointed J. Edgar Hoover to lead it.
• Thousands were arrested over a few months, often for little more than political associations; slightly more than 500 were deported.

What were the claims and outcomes of Schenck v. US?
• Charles Schenck had mailed letters to men who were drafted, encouraging them not to report for duty.
• This violated the terms of the Espionage Act.
• Schenck claimed that the Espionage Act violated his Freedom of Speech. The Supreme Court disagreed with Schenck's argument and upheld his conviction.

10/27/2015
Schenck v. US

• “The question in every case is whether the words used are used in such circumstances and are of such a nature as to create a clear and present danger that they will bring about the substantive evils that Congress has a right to prevent. It is a question of proximity and degree. When a nation is at war many things that might be said in time of peace are such a hindrance to its effort that their utterance will not be endured so long as men fight and that no Court could regard them as protected by any constitutional right.”

What were the claims and outcomes of Gitlow v. NY?

• Benjamin Gitlow, a Socialist, published calls to overthrow the government by force.
• This violated a New York Anti-Anarchy law.
• Gitlow argued that the state law violated his federally guaranteed Freedom of Speech.
• Until this point the Supreme Court had only applied the Bill of Rights to federal laws, not state laws.
• The Supreme Court agreed that the federal Bill of Rights could limit state laws, but upheld Gitlow’s conviction anyway.

Gitlow v. NY

• “The precise question presented, and the only question which we can consider under this writ of error, then is, whether the statute, as construed and applied in this case, by the State courts, deprived the defendant of his liberty of expression in violation of the due process clause of the Fourteenth Amendment.”
• “For present purposes we may and do assume that freedom of speech and of the press—which are protected by the First Amendment from abridgment by Congress—are among the fundamental personal rights and ‘liberties’ protected by the due process clause of the Fourteenth Amendment from impairment by the States.

Why did so many workers go on strike in 1920?

Inflation had doubled the cost of living over the war years but wages hadn’t kept up; workers simply wanted more money, not revolution.

Police in Boston went on strike in 1919, resulting in widespread rioting that was put down by volunteers and the intervention of the State Guard. Massachusetts Governor Calvin Coolidge gained national fame for his leadership.

That same month, steelworkers supported by the AFL launched a strike against the United States Steel Corporation. US Steel responded by hiring private police and bringing in southern African Americans to break the strike.

About the same time, coal miners supported by the United Mine Workers went on strike. They ultimately secured a 14% raise, from a government commission.

Most Americans viewed strikes as anti-American and likely to result in violence.

Union membership peaked around 5 million before dropping off.

Harding took office as the Red Scare and labor strikes began to subside.
Andrew Mellon
- Pennsylvania banker, industrialist, ambassador
- Secretary of the Treasury for three presidents
- Helped negotiate WWI debt with France and Germany
- Argued for lower tax rates to balance the budget and spur the economy

William Howard Taft
- Former Solicitor General, Secretary of War, and President from 1909-1913
- Chief Justice of the Supreme Court (1921-1930)
- Initiated reforms that made the Supreme Court function more efficiently

Charles Evans Hughes
- Former New York Governor, Supreme Court Justice, and presidential nominee
- Secretary of State (1921-1925)
- Led the delegation to the Washington Naval Conference and negotiated limits for naval armaments

Herbert Hoover
- Born in Iowa, raised in Oregon, graduate of Stanford University
- Successful mining engineer with interests in Australia, China, and Russia; self-made millionaire before he was 40 years old
- Led the Belgian War Relief Fund and the US Food Administration during WWI
- Secretary of Commerce from 1921-1928

The Rise of Nativism
- After the war, many Americans supported isolationism, which means avoiding political or economic alliances with foreign countries.

- Harding hoped that disarmament would help to prevent war, and convinced several major military powers to limit the size of their navies.
- Harding supported a protectionist increase in the tariff, which angered many European nations.
  - Higher tariffs meant Europeans would have a harder time selling goods to the US; without those dollars, they would have a harder time paying back the war loans.
  - The United States agreed in 1922 to scale back European debt and in 1924 helped broker an agreement to help Germany pay its reparations.

The War and Its Aftermath
- Americans often blamed the problems in cities, such as slums and corruption, on the immigrants who lived in them.
- Workers feared that immigrants would take their jobs away from them.
- Immigrants might hold or adopt radical political ideas and spread them to the US.
• How did the National Origins Act of 1924 affect immigration to America?

Reduced the annual quota from each country to 2 percent of its population in the 1890 census and prohibited “aliens ineligible for citizenship” (Japanese and Chinese)

• Harding’s reputation was seriously damaged by the revelation of several scandals:

Teapot Dome Scandal: Interior Secretary Albert B. Fall gave oil leases to 2 companies in exchange for $300,000 in illegal payments

Other Harding Scandals

• There were serious scandals at the Department of Justice, Veterans Bureau, Prohibition Bureau, Shipping Board, and Office of Alien Property
• Harding may not have known about the corruption as it happened, but he showed terrible judgment in his appointments
• Harding had numerous affairs, paid blackmail and even fathered a child with one of his mistresses
• Conspiracy buffs questioned his cause of death, hinting at poisoning

• Calvin Coolidge became president when Harding died and was reflected in 1924 with the slogan “Keep Cool with Coolidge”

John Calvin Coolidge, Jr.

• Born in Vermont in 1872, he became Governor of Massachusetts in 1918 and Vice President in 1920
• Coolidge opposed most business regulation, communism, the League of Nations, and the KKK
• He restored dignity to the presidency after Harding died
• He advocated for civil rights
• He was known as “Silent Cal.”

• Coolidge summed up a major theme of the decade when he said the “chief business of the American people is business.”
• Coolidge followed a laissez-faire approach to domestic affairs by lowering tax rates and declining to interfere in the economy.
In foreign affairs, some 60 nations ultimately entered the Kellogg-Briand Pact and agreed not to use the threat of war against the others. This pact proved to be unenforceable and eventually failed.

### 1928 Presidential Candidates

<table>
<thead>
<tr>
<th>President</th>
<th>Prior Experience</th>
<th>Religion</th>
<th>Policy on Prohibition</th>
<th>Source of Support</th>
<th>Total Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herbert Hoover (Republican)</td>
<td>Led the Food Administration in WWI; Secretary of Commerce</td>
<td>Protestant</td>
<td>Favored</td>
<td>Rural voters</td>
<td>21 million</td>
</tr>
<tr>
<td>Al Smith (Democrat)</td>
<td>New York Governor</td>
<td>Roman Catholic</td>
<td>Opposed</td>
<td>Urban voters</td>
<td>15 million</td>
</tr>
</tbody>
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### 1928 Election Results
• Much of the economic growth in the 1920s resulted from the development of a **consumer economy**.

• Traditionally, Americans valued **thrift** and bought only what they **needed**, not what they merely **wanted**.

• Several factors helped spark more buying in this decade, including **higher wages**, **advertising**, **new products**, **lower costs**, and the widespread availability of **credit**.

• Popular new products included electric toasters, ovens, sewing machines, coffee pots, irons, vacuum cleaners, and refrigerators.

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**How did credit fuel the consumer economy?**

• Many of the new consumer goods, such as automobiles and refrigerators, were expensive.
  – Manufacturers wanted to facilitate purchases so that they could earn greater profits.
  – Consumers wanted to borrow money so that they could enjoy the new goods sooner.
  – Manufacturers created installment plans so consumers could purchase goods now and pay for them, with interest, over a longer period of time.
  – This allowed manufacturers to produce more but also created a need for more labor, raw materials, etc., and thus helped the economy.

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**How did electricity fuel the consumer economy?**

• As electric companies expanded their area of service, and as more homes became wired for electricity, consumers were able to buy electric appliances.
  – Between 1913 and 1927 the number of electric power customers quadrupled.
  – The demand for new electric appliances created a need for more labor and raw materials to produce them.

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**How did advertising fuel the consumer economy?**

• In the 1920s marketers developed a new approach to advertising.
  – Instead of just declaring the features and price of a product, new advertisements focused on the consumer’s emotions.
  – Critics claimed these new techniques were unfairly manipulative.

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**Some ads focused on insecurities…**
In order to meet the increased consumer demand for goods, productivity had to increase:

- Productivity refers to the amount produced by each worker, so, each worker would have to produce more value in the same amount of time.
- Gross National Product (GNP), the total value of goods and services a country produces annually, grew around 6% each year from 1921 to 1929.
- The preceding decade saw growth of around 1% each year.
- In our current decade, growth of around 2% is considered an achievement.

Productivity rose in part because the nation developed new resources, new management methods, and new technologies.

- Examples of technology that would improve worker productivity would be the moving assembly line, electric screwdrivers, and so forth.

The first automobile in the world appeared in Germany in 1886, but American inventors (Frank and Charles Duryea) developed one of their own in 1893.

Much of the growth in automobile production resulted from the efforts of Henry Ford.

- Born in 1863, the son of immigrants, he showed great mechanical aptitude at an early age.
- As an engineer for the Edison Illuminating Company, he made his first car prototype in 1896; he formed his current company in 1903 and made the first Model T in 1908.
- To democratize the automobile, he adapted the assembly line for his factories; at peak production he completed a Model T every 24 seconds.
- His company benefited from economies of scale which lowered production costs, and vertical consolidation, which united each phase of a product’s development.
• This automobile boom made it our largest manufacturing industry, but also benefited many related industries, including:
  – 1 garages
  – 2 car dealerships
  – 3 motels
  – 4 campgrounds
  – 5 gas stations
  – 6 restaurants

• Even with limited regulation and a business boom, the power of monopolies declined.

• Why did agriculture struggle during the 1920s?
  • The end of WWI reduced the demand for American produce overseas
  • Falling demand led to lower prices
  • Farmers, many of whom had borrowed heavily to purchase more land and equipment when prices were high, tried to keep up with falling prices by growing still more
  • Many farms failed, which eventually helped bring production back into an equilibrium

• Americans in the 1920s had many reasons to be optimistic. Medical advances had greatly reduced deaths from whooping cough, diphtheria, and other serious diseases. Infant deaths had declined, and life expectancy had increased by more than 10 years.
Between 1925 and 1929, the market value of all stocks surged from $27 billion to $87 billion. Unemployment averaged below 4 percent.

Benefits of Welfare Capitalism:

- **Employees**
  - Higher wages
  - Paid vacations
  - Health plans
  - Recreation programs
  - English classes for immigrants
  - Company unions

- **Employers**
  - Avoid union intervention
  - Prevent strikes
  - Keep productivity high

Benefits of Welfare Capitalism:

- The dizzying climb of stock prices encouraged widespread speculation, the practice of making high-risk investments in hopes of getting huge returns.
- Many small investors entered the market by buying on the margin - paying only a fraction of the price and borrowing the rest at a high rate of interest.

By the late 1920s, the country’s warehouses held more goods than consumers would buy. People could not buy goods as fast as the assembly lines turned them out.

Falling farm prices left many farmers unable to repay debts for **land** and **machinery**.

About 6,000 rural banks failed during the 1920s.

Unwieldy wealth, rising debt, stock speculation, overproduction, and hardships of farmers and workers clearly signaled trouble in the economy.

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