

THE ROARING TWENTIES: PROSPERITY UNDER PRESIDENT COOLIDGE



When President Harding died in office in August 1923, Calvin Coolidge assumed the presidency. Coolidge was famously reserved and to the point. Like the other presidents of the 1920s, Coolidge was an ally to big business and commerce. He took a *laissez-faire* (hands-off) approach to the federal government’s role in the economy. *Laissez-faire* meant less government regulation of business, and in the 1920s, business was booming.

After World War I, the U.S. experienced a short period of recession (mild depression). When American factories switched from producing wartime supplies and equipment to consumer goods, the postwar recession ended. From 1923 to 1929, the quantity of goods made by industry almost doubled. President Coolidge’s pro-business policies contributed to a period of rapid economic growth. People referred to this boom as “Coolidge Prosperity.” Coolidge won the 1924 election using the slogan “Keep Cool with Coolidge,” showing that many Americans credited his *laissez-faire*, pro-business policies with the good economy.

1. To what extent do you think Coolidge deserves credit for the expanding economy of the 1920s? Explain. _____

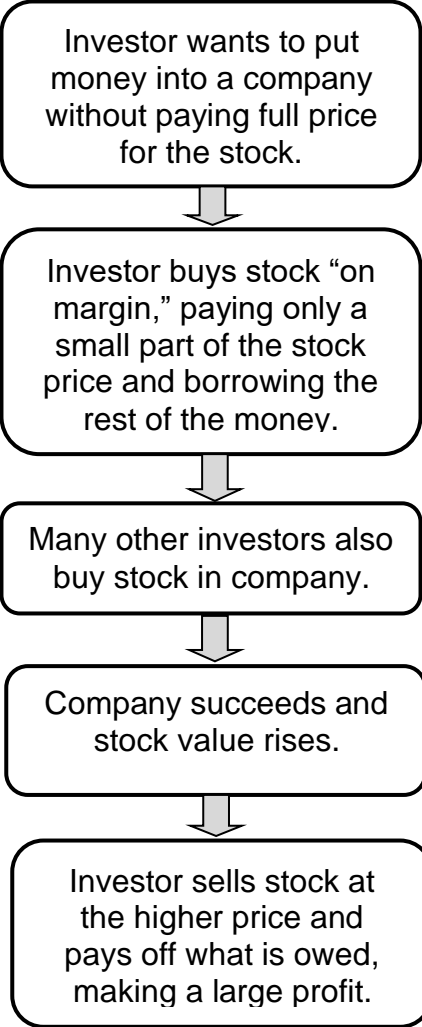
For most Americans, incomes rose. As a result, they were able to buy a flood of consumer products. Businesses used advertisements to boost sales of consumer goods. Electric refrigerators, radios, phonographs, vacuum cleaners and many other appliances took their places in American homes. Advertisements encouraged people to think that their happiness depended on owning a wealth of shiny new products.

Faced with so many goods, people often wanted to buy things they could not afford. In response, businesses allowed **installment buying** (buying on credit). A buyer would make a monthly payment until they paid the full price, *plus interest*. This new policy of “Buy Now, Pay Later” increased the demand for goods. At the same time, consumer debt rose. By the end of the 1920s, consumers owed more than the amount of the federal budget.

2. How do you think installment buying was a positive change for society? How could it also be a negative change? _____

The economic boom of the 1920s gave the stock market a giant boost. By the later 1920s, more people were investing in the stock market than ever before. Stock prices rose so fast that some people made a fortune almost overnight. Such a period of increase stock trading and rising stock prices is known as a **bull market**. Many people bought stocks **on margin**. Under this system, an investor bought stock for as little as a 10% down payment. The buyer held the stock until the price rose, and then sold it at a profit. Margin buying worked as long as stock value kept going up. In 1928 and 1929 the prices of many stocks rose faster than the value of the companies themselves. A few experts warned that the bull market would not last forever. Still, most investors ignored the warnings.

BUYING STOCK "ON MARGIN"



3a. Why was this system for buying stocks risky?

3b. Predict what might happen as a result of this type of risk taking.
