America Between the World Wars

Class 6

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What We Will Cover Today

- Broadcast Radio
  - Effects of Radio
- Electricity in the workplace and the home
- Advertising, Marketing & Public Relations
- Modern Adolescence & an Emerging Youth Culture
- Stock Market Crash

Effects of Radio on Entertainment

- Eliminated the sight gag in favor of one-line jokes and the give-and-take between comedian and straight man
- Created the serialized situation comedy and drama
  - Serialized daytime dramas or 'soap operas' constituted nearly 60% of all daytime shows by 1940

Effects of Radio on Entertainment - 2

- Popularized and commercialized previously isolated forms of American music
  - Country & Western
  - Blues
  - Jazz
- Popularized the ‘psychological thriller’ and the detective story

Effects of Radio - 1

- By broadcasting the same content to a vast audience at the same time, radio created a shared simultaneity and unity of experience
  - This led to both a standardization of culture and also of speech
- It led people to focus on and know about what was happening at the national and international level as distinct from the local community level
  - Thanks to radio and later TV, we now have people who are well-informed about what is going on in Washington or in the Middle East, but who have no idea of who their local mayor or city council representative is

Effects of Radio - 2

- Along with the movies, led to the rise of a popular entertainment industry geared to the mass market
  - Reduced traditional forms of high art to elite ghettos of the well-to-do and the highly educated
- Radio made music a more integral, structuring part of everyday life and individual identity.
  - Fostered an interest in classical music – especially live performance due to the poor sound quality of early radio
  - Fostered an interest in country/western music and jazz

Effects of Radio - 3

- The concept of the audience led to the concept of the average American
  - This provoked an interest in ratings, audience demographics, and the tastes and attitudes of the presumed average America
    - What was the average American listening to? Or buying? Who was listening to *Our Miss Brooks* or *The Shadow*?
- Radio adversely affected the advertising revenues of newspapers and magazines

Effects of Radio - 4

- The technical limitations of early radio:
  - Precluded use of very high or very low frequency musical instruments – cello, oboe, violin
  - Favored use of certain musical instruments - piano, clarinet, and saxophone
  - Led to the use of crooning as a singing technique
  - Favored jazz despite its frequent association with prohibition-era speakeasies and its black roots

Effects of Radio - 5

- Radio and WWI led to code encryption and code breaking
- Radio paved the way for TV and radar
- Radio made music an acceptable endeavor for men
- Radio led people to match their personal schedules to the schedules of the broadcast day

Effects of Radio - 6

- Revolutionized advertising
  - Radio enabled the advertiser to reach into the home
  - Radio helped create the celebrity product endorser
    - This promoted an ethic of consumption, by encouraging people to buy the product or service that a psychologically-significant person endorsed
  - Radio enabled sponsors to identify their products with certain lifestyles and demographic groups
    - E.g. the Lucky Strike campaign which popularized smoking by women
    - Sponsors often became identified with the programs they sponsored

Effects of Radio - 7

- Revolutionized politics
  - Enabled politicians to go over the heads of both the press and the political party, thus weakening their relative power
  - Helped set the national agenda on significant issues and events
  - Created an ‘imagined community’ of like-minded listeners who could be politically mobilized

Electrification of the Home & Workplace

The Electricity Revolution

- What started the Electricity Revolution was:
  - Invention of the electric motor and generator
  - Adoption of Alternating Current at 60 cycles per second at 120 volts as a standard
    - This took place after the so-called “current wars” over whether AC or DC would be the standard
      - AC won out because
        - » It could be easily stepped up to high voltage for long-distance transmission and then stepped down for use the home or factory while DC could not
        - » Nikola Tesla invented a polyphase induction motor that used AC and was as efficient as DC motors

The Four Phases

- The electricity revolution had four phases
    1. Electricity replaces steam and water power
    2. City street lighting with electricity replaces gas lighting
    3. Electricity in the home replaces gas and kerosene lighting
    4. The application of electric power to the factory which:
        - Enables the separation of factory and power supply
        - Permits the rationalization of the production process

Factories Prior to Electricity

- Depended on water power or steam
  - Water power was free but restricted factory location, size, and layout
  - Steam allowed factories to locate away from streams but still restricted factory size and layout
- Both types of power led to:
  - Multistory buildings
  - Power in the form of gears, shafts, pulleys, and belts
  - Factory layout tied to the power requirements of individual machines rather than the logical flow of the production process

Electricity & the Factory

- Initially, factory owners added electric-powered machines to the already-existing power system
  - It took a while for factory owners to realize that to gain the efficiency benefits of electricity, they had to restructure the whole work process
  - Often it made sense to continue to use the already-existing plants and machinery until they had reached the end of their useful service life
  - Thus, it was not until the 1920s that electricity began to have major impacts on factory productivity and output

The New Electrified Factory

- The result – a new kind of factory based upon the following:
  - Single-story factory with sky-lighting and windows
  - Single-function machines
  - Machines arranged according to the sequence of work in the manufacturing process
  - The continuously-moving belt or assembly line
- Began to exert its major productivity effects in the 1920s

Economic Effects - 1

- Proved a boon to small machine shops
  - Electric presses, lathes, and polishers breathed new life into small machine shops, helping them stay competitive
    - Particularly in industries requiring many small batches of goods, such as printing
  - Small workshops and repair shops quickly adopted electric hand tools

Economic Effects - 2

- Electricity enabled small producers to outcompete larger producers that still used steam or water power
  - This helped newer textile mills in the South out-compete the older New England textile mills that still used steam and water power
    - One result is that the Great Depression came early to Massachusetts and Rhode Island – the states where the New England textile mills were concentrated

Economic Effects - 3

- The Increased productivity and output:
  - Created a new problem – how to sell all that could be produced
    - Led to large scale advertising and mass merchandising
    - Led to credit innovations, such as installment buying – especially for cars and consumer durables
    - Led to planned ‘psychological’ obsolescence

Economic Effects -4

- The Increased productivity and output:
  - Allowed for either higher wages, higher profits, or lower prices, or some combination of the three
  - In the 1920s, it led mostly to higher profits with only slightly higher wages and minimally lower prices
    - This led to an increasing maldistribution of wealth – the rich got richer while the income of everyone else stagnated
    - In the 1920s, this led to conspicuous consumption and speculative bubbles in both Florida real estate and the stock market

Economic Effects - 5

- Replaced gas and kerosene lighting
  – Electric lighting was cleaner, brighter, safer, did not produce soot, and could not be blown out by wind
- Improved the work environment
  – Made for cleaner interior air
  – Fostered better visual acuity by providing better and more appropriate lighting
  – Reduced the danger of fire

Impact on the Home

- Reconfigured the typical house
- Led, in contrast with the Victorian house, to houses with:
  - More open floor plans
  - Fewer doors
  - Light colors for walls and ceilings
  - Flexible placement of furniture and lamps, and
  - An increasing number of electrical appliances and devices using electricity

Other Effects

- Allowed sporting and other events to take place ‘under the lights’
- Encouraged more reading at home
  - It was much easier to read by electric light than by fire, candlelight, or gaslight
- Dispersed the family within the house
  - The family no longer congregated around the hearth

Electricity

- Once a home had electricity, a sequence of electricity-using products occurred:
  - Electric lights
  - Small appliances, such as electric irons, fans, toasters, and coffee makers
  - Vacuum cleaners
  - Entertainment media, such as radios & phonographs
  - Major appliances, such as washing machines, dishwashers, and later refrigerators

Electrical Appliances in the Home

Item	1900	1920	1930	1940
Washing Machine	<1%	8%	24%	60%
Icebox	18%	48%	40%	27%
Refrigerator	<1%	<1%	8%	44%
Vacuum Cleaner	0	9%	30%	40.5%
Electric lights	3%	35%	68%	79%
Telephone		35%	41%	37%
Iron		27% (1922)	60%	67%
Radio	0	<1%	33%	83%

Advertising, Marketing, and Public Relations

Implications of Mass Production

- To be profitable, capital-intensive investments required a large, steady, and predictable demand
- This required advertising – potential consumers had to be convinced they needed or wanted the product
- Early advertising focused on describing the appearance of the product, what it did, and how it worked

Changes in Advertising

- In the 1920s, advertising began to develop new approaches
  - Focusing on the consumers’ alleged or feared failings and anxieties and then demonstrating how the advertiser’s product could eliminate the failings and relieve the anxieties
    - Listerine was marketed as a cure for “halitosis”
    - “Often a bridesmaid but never a bride”

Changes in Advertising - 2

- New approaches (continued):
  - Changing the psychology of the American public from the Protestant ethic of frugality, saving, and deferred gratification to a Consumption ethic of spending and willingness to go into debt
  - Changing the attitude of workers toward work and leisure
    - Once basic needs met, most workers preferred increased leisure time over additional work & extra income

Changes in Advertising - 3

- New approaches (continued):
  - Appeals to status and social differentiation
    - Inviting consumers to emulate the rich and take on the trappings of wealth and status
  - Creation of dissatisfied consumers
    - Via model and fashion changes

Changes in Advertising - 4

- In the 1920s and 1930s, advertising still focused largely in the print media of newspapers and magazines
- But as time went on, advertising increasingly migrated to radio
  – Advertising became the economic basis of radio
  – Ad agencies increasingly became involved in productions of programs
  – Advertisers saw radio as an especially effective selling medium

Advertising Agencies

- Six of the ten top advertising agencies of the 1980s came into existence during the 1920s and 1930s
- Ad agencies pioneered in market research
  - Public opinion polling using the random-sampling techniques of pollster George Gallop (1932) and Elmo Roper (1933) developed to discern consumer attitudes, tastes, and preferences
  - Roper & Gallop saw election polls as a check on polling methods and accurate election predictions as a way of gaining corporate clients

Branding

- While branding dates back to the 18th century (Cadbury & Wedgwood), large scale use of branding began just before the end of the 19th century
- By the 1930s, brand names were firmly established
  – This made the supermarket possible since shoppers could compare prices at different stores

Branding - 2

- Branding changed the retail landscape by making individual stores seem less special and making self-service the norm
  - The supermarket (A&P, Pigly Wiggly) arose out of a desire to sell brand-name items more cheaply than traditional groceries
- Branding promised uniform standards of quality and gave goods an identity

Public Relations

- While press agents in the 1800s had been active in promoting entertainers, most business tycoons were indifferent to what the press and public thought of them
  – Cornelius Vanderbilt's 'the public be damned'
- In the early-1900s, a coal mine owners' association hired Ivy Lee to provide the press with the owners' version of events during a strike
- The need to sell and the success of the Committee on Public Information in WWI led corporations after WWI to seek a more desirable public image

Modern Adolescence & an Emerging Youth Culture

Childhood as a Social Category

- Childhood was created as a distinct social category as a result of the invention of printing
  - Before printing, children became adults by learning how to speak. After printing, children became adults by learning how to read
    - This required schooling. With schools, children came to be viewed as a special class of people different from adults
    - Before print, children were seen as little adults and seen as part of the adult world

The Adolescent as a Distinct Social Category

- The 1920s and 1930s saw the emergence of both the adolescent as a distinct social category and of a ‘youth culture’
  - This reflected five factors –
    - The emergence of the modern high school
    - Compulsory education, which kept most youth in school and out of the work force
    - The automobile & dating which removed teenagers from adult supervision
    - Prosperity, which via allowances and part-time jobs provided kids with spending money
    - The media, especially the movies

High School - 1

- While the American high school existed long before the 1920s, it was simply a college prep institution that catered to a small minority of teen-agers
- In the 1920s, the modern high school emerged
  - High schools offer vocational and general citizenship education as well as preparation for college
  - High schools offered competitive sports, extracurricular activities, dances, other social events, and institutions and traditions associated with colleges
  - The consolidated high school emerged as a result of the school bus

High School - 2

- By the late-1930s, most teenagers under age 18 were in high school
  - This reflected two factors
    - A Great Depression desire to get teenagers out of the work force in order to provide jobs for male family breadwinners
    - Parental uncertainty about what skills and knowledge their children would need in a changing world
- High schools played a major role in the creation of a ‘youth culture’

Youth Culture

- Reflected the relative segregation of youth in an environment where interaction was mostly with peers instead of parents and other adults
  - Also reflected the teenagers for autonomy and independence from their parents
- Was strongly influenced by what they saw in the movies and heard on the radio

Dating

- Traditional courting procedures did not suit an era of coeducational high schools, movies, urban dance halls, and automobiles
- Result: dating
  - Arranged by the two people involved without family involvement
    - Man asked, woman accepted & the man paid the expenses of the date
  - Took place outside the home
  - Often involved the couple being alone together
  - Implied no commitment on either side

Stock Market Crash

1920s Economy

- Poverty was fairly common, especially
  - In the South & among rural dwellers, unskilled urban workers & recent immigrants
- But certain sectors of the economy were booming
  - Automobiles
  - Radio – radio manufacturers, performers & program creators
  - Movie – Hollywood & movie theaters
  - Household appliances

Unbalanced Economy

- In 1929, the top 1% owned 44.2% of household wealth
  - The top 0.1% (approx 24,000 families) had a total income equal to that of the bottom 42% (more than 11,500,000 families)
- Between 1920-1929, per capita income rose by 9% , but that of the top 1% rose by 75%
  - Share of disposable income going to the top 1% rose from 12% in 1920 to 19% in 1929
- The bottom 87% of the population owned only 8% of the wealth

Hurting Industries

- The farm, textile, coal, mining, and shoe industries were hurting
  - In 1920, farm families were 22% of the U.S. population, but received only 15% of the national income in 1920 and 9% in 1928
  - Houses and factories were beginning to switch from coal and wood heat to gas and fuel oil heat

Stock Market

- In the 1920s, investors began to prefer common stocks over preferred stocks and corporate bonds
- Low margin requirements and low interest rates encouraged people to buy on "margin"
- Out of a population of 120 million, only 3 million (2.5%) owned stocks
  - Only 1,500,000 had brokerage accounts
  - No more than 750,000 speculated in stocks

Stock Market Boom

- As the stock market boom got under way, it was fed by an expansion of credit which in turn had a ‘positive feedback’ effect
- As ‘positive feedback’ and profit opportunities increase, speculation began
  – Facilitated by the new mutual funds (investment trusts)
- Buying on margin greatly increased the amount of speculation
- The result was a boom or bubble

RCA Stock

Year	Price per share	Monetary value per share*
1921	$1.50	
1923	$4.75	
1924	$66.87	$66.87
1927	$101.00	$101.00
1928	$420.00	$420.00
1929	$114.75	$573.75

Federal Reserve

- In 1925, Britain returned to the gold standard
  - To prevent capital flight to America, the Fed kept interest rates low
  - This fostered stock market speculation
- In August 1929, the Fed raised the rediscount rate from 5% to 6% to curb speculation

1929 Downturn

- Industrial production peaked in June 1929 when the Federal Reserve index hit 126. By October 1929, it had fallen to 117
- Auto production declined from 660,000 in March 1929 to 319,000 in October 1929
- The real economy began to slow as the Federal Reserve raised interest rates and restricted the money supply to curb speculation

Bringing About the Crash - 1

- As the real economy began to slow, some speculators decided to take their profits and sell
  - Joseph P. Kennedy upon getting a stock tip from a shoeshine boy & Bernard Baruch upon getting one from a panhandler
- After reaching a peak on September 3, 1929, prices dipped and began to fluctuate
  - Fluctuations reflected the fact that some speculators were selling and others were 'bargain-hunting'

Bringing About the Crash - 2

- Two sets of events in September & October 1929 -- along with the fluctuations that occurred after September 3rd -- convinced many speculators that the bubble would soon burst
  - The Hatry financial scandal in Britain
  - A series of test votes on a tariff revision bill that would eventually become the Smoot-Hawley Tariff

The Crash

- Prices began to experience a definite decline in late-October 1929
  - On October 24th (Black Thursday) stocks plunged
    - This led to a large number of margin calls which could not be met and led to the forced sale of stock
    - It also led to panic selling
- Result: the Stock Market Crash – on October 29th (Black Tuesday), the market tanked

1929 Stock Highs & Lows

Company	High – Sept 3rd	Low – Nov 13th
AT&T	304	197 ¼
General Electric	396 ¼	168 1/8
General Motors	72 ¾	36
Montgomery Ward	137 7/8	49 ¼
New York Central	256 3/8	160
RCA	101	28
U.S. Steel	261 ¾	150
Woolworth	100 3/8	52 ¼
Electric Bond & Share	186 ¾	50 ¼

Results of the Crash - 1

- From October to December 1929:
  - Industrial production fell by 9%
  - Imports dropped by 20%
  - American banks cut off foreign lending
- Gross domestic investment by the private sector fell from $35 billion in 1929 to $23.6 billion in 1930 and a low of $3.9 billion in 1932
- Automotive industry profits in the first quarter of 1930 declined an average of 40% from the first quarter of 1929
- Purchases of luxury goods tanked

Results of the Crash - 2

- Smoot-Hawley Tariff Act
  - Had its genesis in Hoover's promise to help the farmers by restricting foreign agricultural imports
  - Hoover lost control of the bill with the result that limited tariff revisions escalated into major increases in duties on manufactured as well as agricultural products
  - Despite the protests of foreign governments and hundreds of economists, Hoover signed Smoot-Hawley

Effects of Smoot-Hawley

- Caused a vast decline in U.S. foreign trade as foreign countries retaliated with tariffs of their own
  - Exports fell from $5.2 billion in 1929 to $1.6 billion in 1932
  - Imports fell from $4.4 billion in 1929 to $1.3 billion in 1932
- Led South America, Germany, and Central Europe to default on their American loans
- Forced countries off the gold standard
  - Led to foreign countries pulling their money out of American banks
- Led Japan to see the Act as walling off the U.S. market to Japanese exports. As a result, Japan embarked on a policy of aggressive expansion, hoping to find economic security within a "Greater East Asia Co-Prosperity Sphere."
  - Started Japan on the road to Pearl Harbor

Bank Failures

Numbers of Banks and Bank Failures		
Year	**Number as of 12-31**	**Suspensions**
1929	24,633	659
1930	22,773	1350
1931	19,970	2293
1932	18,397	1453
1933	15,015	4000
1934	16,096	57

Data are from Table V 20-30 in *Historical Statistics of The United States: Colonial Times to 1970*, 1975, p. 912.

Slide into Depression

- Unemployment Totals

Year	Unemployment in millions
1929	1.5
1930	4.3
1931	8.0
1932	12.0
1933	12.8

European Bank Failures

- In 1931, the Creditanstalt – Austria's largest bank – failed
  - This cascaded across Europe, precipitating bank failures in Germany and then in the rest of Europe
  - It also affected banks in the United States
- The resulting financial disruptions led Britain and then every other industrial nation (except France and the U.S.) to go off the gold standard
- The European financial crisis discredited the Weimar Republic and led to the rise of Hitler and the Nazis to power

Causes of Bank Failures

- Banks hold short-term deposits that they lend out long-term
  - When people began to fear that their bank was not sound, they started to withdraw their funds (i.e. bank runs)
    - This was before Federal Deposit insurance
  - The role of the Federal Reserve was to act as a banker of last resort
    - This involved taking the bank's loan portfolio as collateral for a cash loan to meet depositors' demand
  - The Fed failed in the "banker of last resort" function

Result of Bank Failures

- Depositors lost their savings
  - This had a negative feedback effect on the economy
  - The failure of the Bank of the United States in New York in December 1930:
    - Resulted in the loss of $200 million in deposits
    - The bank's size and official-sounding name frightened depositors and led to a general run on banks
- The money supply decreased by about a third
  - This had a deflationary impact (i.e. price levels declined) since it made money more expensive.

Causes of the Great Depression? - 1

- There are several theories:
  - Popular Opinion: The Stock Market Crash of 1929 wiped out fortunes and caused people to refrain from investing or spending on consumer goods
  - Monetarists: The large number of bank failures beginning in 1930 shrunk the money supply so that businesses could not obtain or renew loans
  - Hoover: The European Financial Collapse of 1931 turned a recession into the Great Depression

Causes of the Great Depression - 2

- Other Theories:
  - Economic Cyclists: The unfortunate coincidence of several economic cycles hitting their low points simultaneously
  - Keynesians: A decline in spending – both investment and consumption – as a result of the maldistribution of income
  - Wanniski: The Smoot-Hawley Tariff of 1930 along with Hoover’s raising of taxes to balance the budget

A Question

- Why was the Crash of 1929 followed by a Great Depression while the Crash of 1987 was not?
  - Investors in individual stocks vs investors in mutual funds and 401(k)s
  - Differing reactions of Hoover and Reagan
  - The Federal Reserve in 1987 aggressively responded to the Crash in a way the earlier Fed did not
  - The existence in 1987 of a social safety net that did not exist in 1929