

ECONOMICS STANDARDS:

E.2.ECON.3 Justify various economic solutions to problems affecting an individual or society using marginal costs and marginal benefit analysis

E.3.ECON.3 Analyze the role of consumers in a market economy

E.3.ECON.5 Evaluate intended and unintended consequences of government policies created to improve market outcomes

HISTORY STANDARDS:

Era7.1.USH.6 Evaluate credibility and limitations of primary and secondary sources representing multiple perspectives about the changing role of the United States in the world from 1890-1930

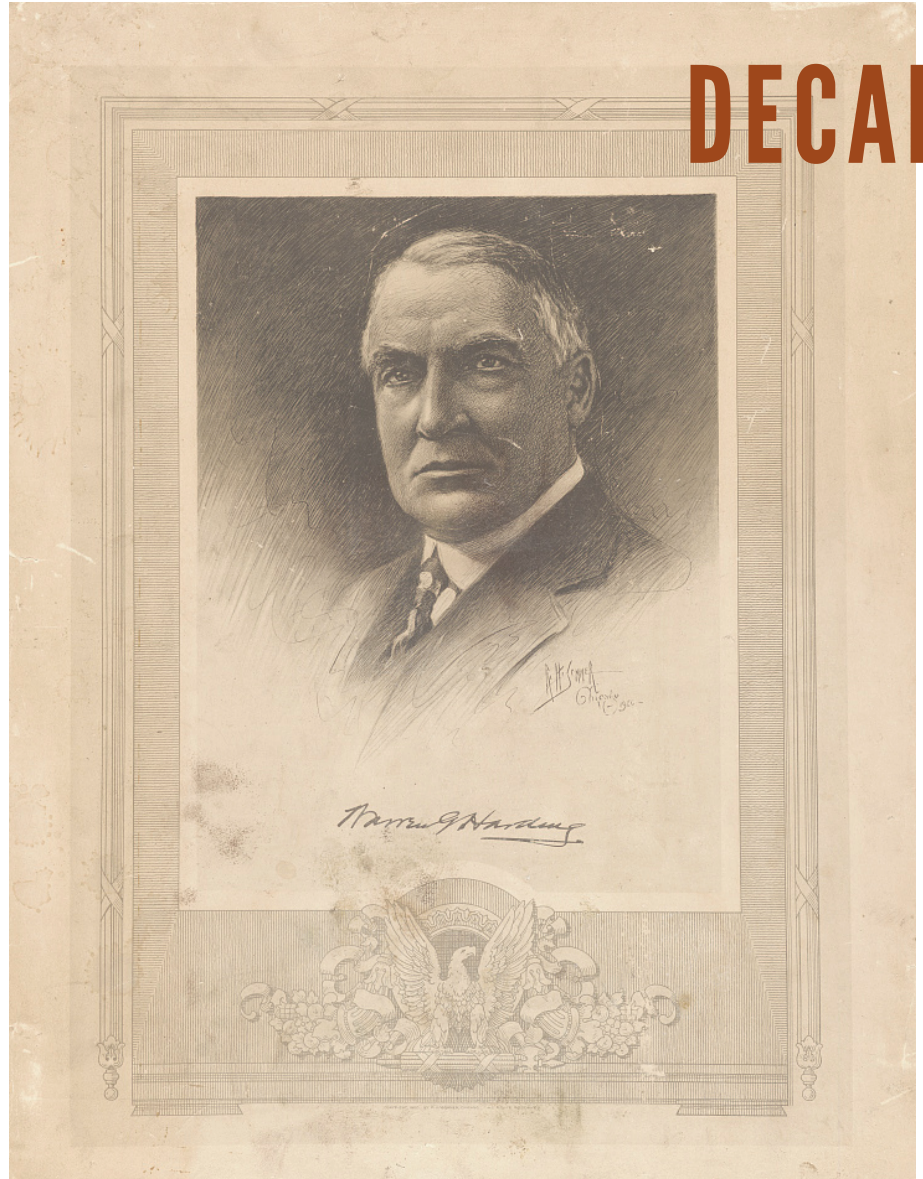
Era7.1.USH.7 Construct explanations about the changing role of the United States in the world from 1890-1930 and the effects on future eras

Era7.2.USH.5 Examine reasons for and effects of social, economic, political, and cultural changes during the 1920s

CIVICS STANDARDS:

C.4.CIV.4 Identify intended and unintended consequences of public policies.

THE ROARING TWENTIES: THE ECONOMIC PROSPERITY OF THE DECADE



MATERIALS INCLUDED:

- *Content Overview*
- *Return to Normalcy: Presidential Speech Analysis*
- *Before and After the Great Depression: Appraising Song Lyrics*



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ACRE

The Arkansas Center for Research in Economics is an Arkansas-focused research center housed in the College of Business at the University of Central Arkansas. Our scholars and policy analysts use academic research and original analysis to educate the public on important issues of public policy in Arkansas. Our research focuses on barriers to employment, taxes and subsidies, K-12 education, property rights, and government transparency. Through our K12 programs, we work to create learning opportunities for teachers and students exploring how economics works, how economists create & analyze data, and how economics applies to the lives of individuals, groups, and communities. The views expressed in this publication do not necessarily reflect those of the University of Central Arkansas.

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INTRODUCTION

Today, the 1920s are known in popular memory for speakeasies, flappers, bootleggers, and jazz. Americans look back on the decade with nostalgia, but few understand the economic policies that contributed to the prosperity of the 1920s. Often, the economic growth of the 1920s is discounted as the product of rampant speculation and the great achievements of the decade are presented as a false prosperity that had to end. This is not the case. The prosperity of the 1920s was very real and could have been sustained into the 1930s if not for the economic policy of the Hoover administration and the Federal Reserve.

In 1920, Warren G. Harding was elected president of the United States on a platform calling for “a return to normalcy.” Harding, a former Senator from Ohio, promised “not heroics, but healing; not nostrums, but normalcy; not revolution, but restoration.” Coming on the heels of World War I, the Spanish Flu epidemic, and the First Red Scare, Harding promised a return to limited government and free enterprise in economics.¹

With Harding’s election, the economic policies of the country shifted.² Instead of embracing Progressive economic policies—that emphasized government interference in the economy (often on the side of labor and against large corporations)—the Republican leadership in the twenties returned to the philosophy of laissez-faire economics. President Harding in his Inaugural Address outlined the way out of war and towards prosperity: “I speak for administrative efficiency, for lightened tax burdens... for the omission of unnecessary interference of government with business, for an end to government’s experiment in business, and for more efficient business in government administration.”³

ESSENTIAL QUESTIONS:

What kinds of policies led to the economic growth of the Roaring Twenties?

What types of human actions were influencing the economy during this time?

How had war impacted the United States economically?

LEARNING OBJECTIVES:

Students will critique presidential campaigning strategies during the 1920s using primary source materials.

Students will analyze historical data to develop arguments about the economy in the 1920s.

NOTES:

1. Warren G. Harding, “Return to Normalcy,” May 14, 1920. Accessed at: <https://teachingamericanhistory.org/library/document/return-to-normalcy/>. “18th Amendment” Accessible at: <https://www.law.cornell.edu/constitution/amendmentxviii>
2. The section that follows was borrowed from Dr. Witcher’s research on the Great Depression. For the full article, consult Marcus M. Witcher and Joseph Horton, “From Prosperity to Poverty: The Story of American Economic Decline During the 1920s,” *Journal of Applied Business and Economics* 14(4), 2013, 79-87.
3. Warren G. Harding, Inaugural Address, March 4, 1921. Accessed at: https://avalon.law.yale.edu/20th_century/harding.asp

WHO DID ARKANSANS SUPPORT AND WHY?

Arkansas, as well as every former Confederate state with the exception of Tennessee, voted for Harding's Democratic opponent James M. Cox.

The Republican Party was born in opposition to slavery and Lincoln's victory as the first Republican President and the subsequent Civil War made the south solidly Democratic.

Indeed, from 1872 to 1920 Arkansas voted for the Democratic nominee. In 1920, Harding won the presidency with over 60% of the popular vote, but he only received 39% of the vote in Arkansas. Harding did best in the foothills of the Ozarks (even winning Madison, Newton, Searcy) county.⁸

Many in the northwest corner of the state had opposed secession and to this day it remains one of the most solidly Republican parts of the state. The other natural Republican constituency, African Americans, had been stripped of their voting rights by 1920.

In addition to leftover anti-Republican sentiment from the Civil War, white Arkansans—many of whom were farmers—favored free trade. Democrats during the period tended to favor free trade while Republicans embraced tariffs to protect northern and midwestern domestic manufacturing.



THE REPUBLICANS ECONOMIC PROGRAM

Harding's first task upon taking office was to determine what was to be done about the economic depression. Following World War I, the United States found itself with a large amount of debt and inflation. Rather than provide economic relief or use government stimulus to try and alleviate the cyclical downturn, Harding actually cut federal spending from \$18.5 billion to \$6.4 billion and allowed the economic downturn to run its course, which resulted in a short recession.⁴ Despite the government not getting involved, or perhaps because Harding refused to intervene, the economy recovered rather quickly, setting the stage for one of the greatest periods of economic innovation the U.S. has ever seen.⁵

The architect of the Harding administration's economic policy was Andrew Mellon. Mellon was appointed the Secretary of the Treasury and immediately set out to define Harding's economic policy. Mellon believed that private initiative and productivity were most effective when they were free from government intervention. Mellon had a unique view of taxation (today known as supply-side economics): he held that if tax rates were high, people would have an incentive to avoid paying and that those same people were unlikely to be as productive as they might otherwise be with lower tax rates. According to Mellon, if tax rates were decreased, Americans would be able to keep more of their money and would be incentivized to either spend it or invest it. The result would be a prosperous economy and as a result government revenues would increase.⁶

Tax rates were at 77% for the highest income earners at the end of the war. Mellon, with the help of a Republican majority Congress and President Calvin Coolidge after Harding's death in 1923, cut federal income taxes three times until the top rate was 25%. The lowering of the tax rate resulted in two outcomes: 1. Revenue from federal income tax increased (just as Mellon had predicted it would), & 2. The income tax became more progressive, which means that wealthier Americans paid a higher percentage of taxes than poor Americans. The percentage of the federal revenues paid by citizens making less than ten thousand dollars a year declined from twenty-one percent in 1921 to five percent in 1926.⁷

4. Robert P. Murphy, "The Depression You've Never Heard of: 1920-1921," Foundation for Economic Education, November 18, 2009. Accessed at: <https://fee.org/articles/the-depression-youve-never-heard-of-1920-1921/>.

5. James Grant, *The Forgotten Depression: 1921: The Crash that Cured Itself* (New York: Simon & Schuster, 2014).

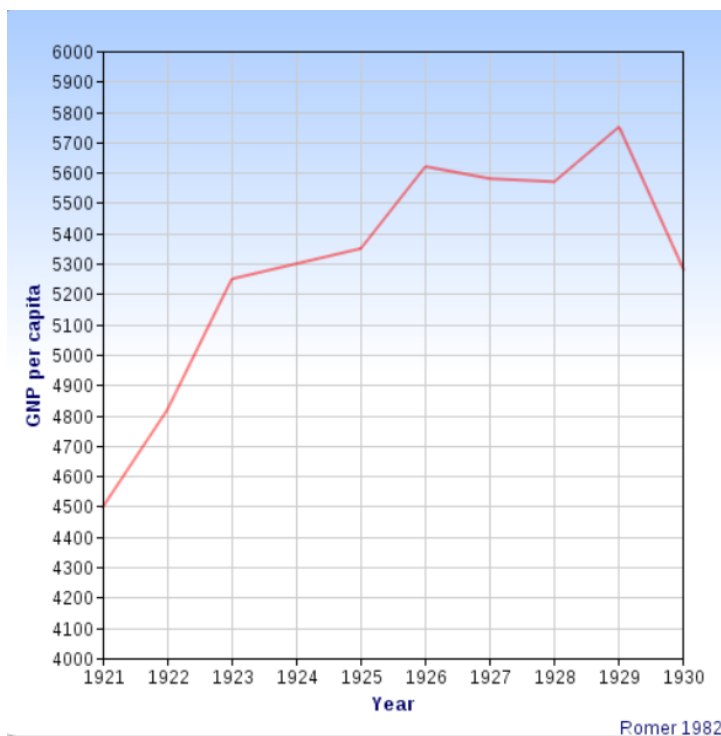
6. For more on the ideology behind these policies consult John A. Moore, "The Original Supply Siders: Warren Harding and Calvin Coolidge," *The Independent Review* 18(4), 597-618.

7. Mellon was also successful in getting rid of the gift tax, halving the estate tax, and scaling down the surtax from 65% to 20%. William E. Leuchtenburg, *The Perils of Prosperity: 1914-1932* (Chicago: University of Chicago Press, 1958), 98; John S. Gordon, *Hamilton's Blessing: The Extraordinary Life and Times of Our National Debt* (New York: Walker, 2010) 98, 104.

8. Edgar Eugene Robinson, *The Presidential Vote, 1896-1932* (Stanford: Stanford University Press, 1947), 139-145.

ECONOMIC EXPANSION AND GROWTH

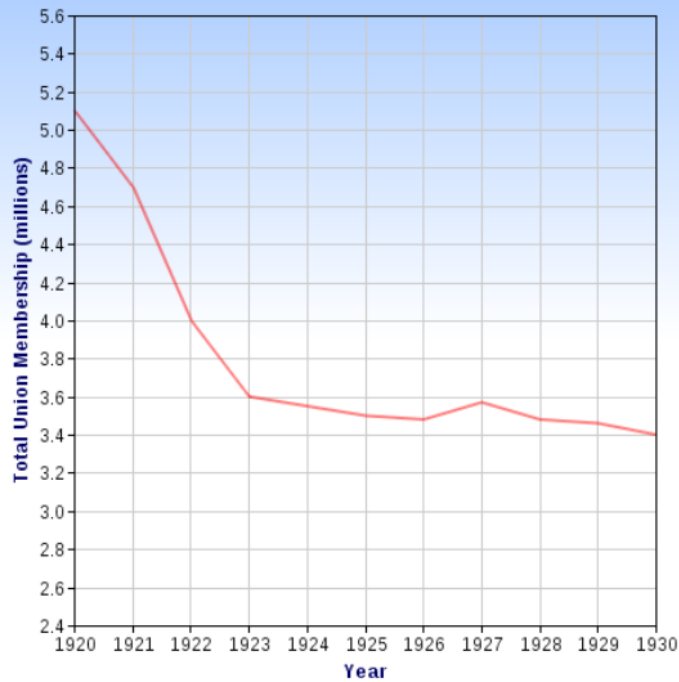
As the decade progressed, the economy began to boom, with new technological advances increasing production and a tax code that encouraged expansion by business, American Gross national product (GNP) shot up. GNP is the total value of goods produced and services provided by a country during a single year. It is similar to Gross Domestic Product, with the exception that it includes the net income from foreign investment. Most economists today use GDP instead of GNP but in the 1920s GNP was often used. From 1921 to 1929, it increased by 59%, GNP per person rose by 42%, and personal income increased by 38%.



In the twenties prosperity was achieved, not by government spending, but rather by the private sector. Indeed, Republicans cut federal spending in half from 1920 to 1927, and as a percentage of GNP, they cut it by one-third. The Harding and Coolidge Administrations also cut the national debt from twenty-five billion dollars in 1919, to less than seventeen billion in 1929 – a 33% decrease.⁹ One result of the productive economy was that labor union membership declined during the decade. Contrary to popular belief, wage increases occurred despite the fact that unions were on the decline. Despite the decline in labor membership during the twenties, Americans enjoyed a standard of living far beyond the rest of the world.

ECON CONVERSATIONS:

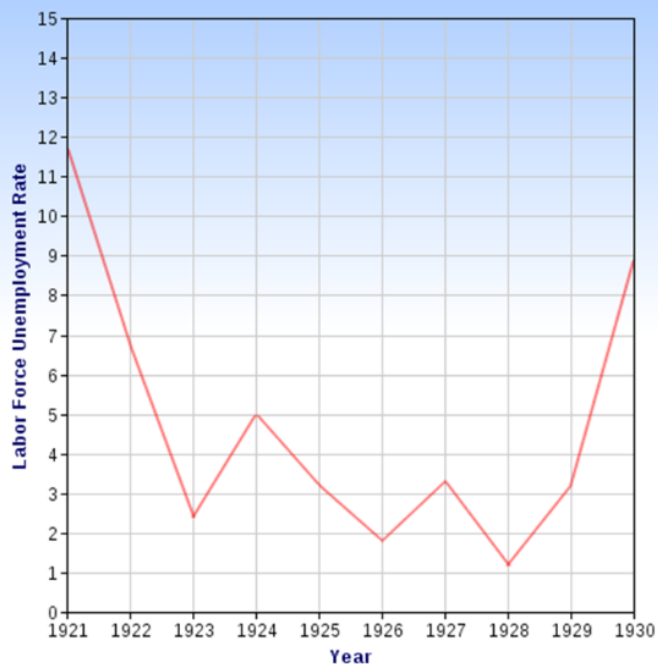
These graphs can be used to have your students practice reading and interpreting data. Ask them questions about the relationships between the information being presented. Students could also do outside research to study economic policies and their impacts and present that information to their classmates. Teachers could ask students to recreate the graphs using data sets they are given, then be asked to draw their own interpretations on what the data is saying.



Historical Statistics of the United States (1976), Series D-940 and Series D-7.

Business prospered under the Harding and Coolidge Administrations, as did workers—with unemployment averaging 4.82% from 1923 to 1929. Wages for working Americans went up throughout the decade. American consumers used their increased disposable incomes to purchase new products such as radios, automobiles, and many other new technologies that improved quality of life.¹⁰

NOTES:



Historical Statistics: Wicker, *The Banking Panics of the Great Depression*, 1996.

¹⁰ Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin Press, 2009), 226; John Kenneth Galbraith, *The Great Crash: 1929* (New York: Mariner, 1954), 178.

ADDITIONAL RESOURCES:

Discuss with your students the improvement in technologies over the course of their lives. Did they grow up with access to electricity, AC, phones, internet? How do technological improvements impact our lives and experiences?

To further explore these ideas, the Time Well Spent curriculum goes into detail on historical trends in productivity, how wealth is created in modern economies, and how to technology increases in quality and decreases in price over time.

The Time Well Spent curriculum can be found here:
<https://uca.edu/acre/time-well-spent/>

The impressive economic growth of the 1920s led to technological advancement and innovation. From 1902 to 1929, electrical output increased nineteen times from six billion kilowatt-hours to 117 billion kilowatt hours. The number of automobiles produced each year increased from 4,000 in 1900 to 4.8 million in 1929. Likewise, the number of telephones installed in homes and businesses nearly doubled from 10.5 million in 1915 to 20.2 million in 1930. The twenties were an incredible period of economic modernization and industrial expansion. Indeed, overall industrial output almost doubled during the decade.

CONCLUSION

The fiscal policies of the Harding and Coolidge administrations, tax cuts and deficit reduction, proved successful in providing a better life for millions of Americans. In 1928, when Coolidge declined to run for reelection, the United States was experiencing a period of unprecedented prosperity. It's hard to believe that in just a year, the entire economic system would be brought to its knees by the Great Depression.

SUGGESTED PACING GUIDE:

INTRODUCTION (15 MINUTES)

Ask students to read and complete the "Return to Normalcy" worksheet either alone or in a small group. Students will identify key arguments in Warren Harding's speech. Follow up with a short discussion on what Harding meant by "Returning to Normalcy" using the discussion questions provided on the student activity.

LESSON (20 MINUTES)

Guide students through the content notes on Harding's election and the economic growth experienced during the Roaring Twenties. Discussion prompts are included throughout the content notes.

MUSIC ANALYSIS ACTIVITY (20-30 MINUTES)

For this activity, guide students through several songs written before and during the Great Depression. Links to music and song lyrics are provided on the student handouts. Guide discussions after each song and ask students to highlight the differences they start to notice as they listen through each of the songs. What themes are present during the Roaring Twenties? During the Depression? Have students complete the included song analysis worksheet for one of the songs they listened to during the activity.

HYPOTHESIZE: (5-10 MINUTES)

Have students start to brainstorm for their next class period in their class journals. Write the question to consider on the board for students to respond to: "Based on what you now know about why the US was "roaring" in the twenties, hypothesize some reasons for how and why the US entered into a depression in the late 1920s.

NAME:

DATE:

CLASS PERIOD:

WARREN G HARDING: RETURN TO NORMALCY

MAY 14, 1920

*Instructions: Read the following campaign speech from Warren G Harding. **Highlight sentences that focus on his main ideas or arguments.** Then answer the questions using full sentences.*

"There isn't anything the matter with world civilization, except that humanity is viewing it through a vision impaired in a cataclysmal war. Poise has been disturbed, and nerves have been racked, and fever has rendered men irrational; sometimes there have been draughts upon the dangerous cup of barbarity, and men have wandered far from safe paths, but the human procession still marches in the right direction.

America's present need is not heroics, but healing; not nostrums, but normalcy; not revolution, but restoration; not agitation, but adjustment; not surgery, but serenity; not the dramatic, but the dispassionate; not experiment, but equipoise; not submergence in internationality, but sustainment in triumphant nationality.

It is one thing to battle successfully against world domination by military autocracy, because the infinite God never intended such a program, but it is quite another thing to revise human nature and suspend the fundamental laws of life and all of life's acquirements. . . .

This republic has its ample tasks. If we put an end to false economics which lure humanity to utter chaos, ours will be the commanding example of world leadership today. If we can prove a representative popular government under which a citizenship seeks what it may do for the government rather than what the government may do for individuals, we shall do more to make democracy safe for the world than all armed conflict ever recorded.

The world needs to be reminded that all human ills are not curable by legislation, and that quantity of statutory enactment and excess of government offer no substitute for quality of citizenship.

The problems of maintained civilization are not to be solved by a transfer of responsibility from citizenship to government, and no eminent page in history was ever drafted by the standards of mediocrity. More, no government is worthy of the name which is directed by influence on the one hand, or moved by intimidation on the other. . . .

My best judgment of America's needs is to steady down, to get squarely on our feet, to make sure of the right path. Let's get out of the fevered delirium of war, with the hallucination that all the money in the world is to be made in the madness of war and the wildness of its aftermath. Let us stop to consider that tranquillity at home is more precious than peace abroad, and that both our good fortune and our eminence are dependent on the normal forward stride of all the American people. . . ."

NAME:

DATE:

CLASS PERIOD:

WARREN G HARDING: RETURN TO NORMALCY

MAY 14, 1920

Instructions: Read the following campaign speech from Warren G Harding. Highlight sentences that focus on his main ideas or arguments. Then answer the questions using full sentences.

1. When Harding speaks of “a cataclysmal war,” what is he talking about?
2. Harding believed that “ours [the US] will be the commanding example of world leadership today.” What does he think the US would need to do to achieve this goal?
3. From this speech, what is your impression of Harding’s views toward government? Towards citizenship?
4. What might a political opponent of Harding say about his speech?

NAME:

DATE:

CLASS PERIOD:

BEFORE AND AFTER THE DEPRESSION: SONG ANALYSIS

BEFORE THE GREAT DEPRESSION

Song 1:

The Original Charleston

James P. Johnson

1923 (lyrics were added later)

<https://www.youtube.com/watch?v=4ajtCKLTOiM>

Caroline, Caroline, At last they've got
you on the map
With a new tune, a funny
blue tune, with a peculiar snap!
You many not be able to buck
and wing
Fox-trot, two-step, or even
swing
If you ain't got religion in
your feet
You can do this prance and
do it neat
Charleston! Charleston! Made
in Carolina
Some dance, some prance,
I'll say, there's nothing finer
Than the Charleston,
Charleston. Lord, how you can shuffle
Ev'ry step you do leads to
something new
Man, I'm telling you it's a lapazoo
Buck dance, wing dance, will
be a back number
But the Charleston, the new
Charleston, that dance is surely a comer
Sometime you'll dance it one
time
The dance called the
Charleston
Made in South Caroline
Charleston! Charleston! Made
in Carolina
Some dance, some prance,
I'll say, there's nothing finer
Than the Charleston,
Charleston. Lord, how you can shuffle
Ev'ry step you do leads to
something new
Man, I'm telling you it's a
lapazoo
Buck dance, wing dance, will
be a back number
But the Charleston, the new
Charleston, that dance is surely a comer
Sometime you'll dance it one
time
The dance called the
Charleston
Made in South Caroline!

Song 2:

St. Louis Blues

W.C. Handy

1914 (Bessie Smith version in 1925)

https://www.youtube.com/watch?v=3rd9IaA_uJI

I hates to see dat evnin sun go down
Hates to see dat evnin sun go down
Cause ma baby, she done lef dis town
If I feel tomorrow lak ah feel today
Feel tomorrow lak ah feel today
Ill pack up my trunk, and make ma git away

Saint Louis woman wid her diamond rings
Pulls dat man roun by her apron strings
Twernt for powder an her store-bought hair
De man she love wouldnt gone nowhere, nowhere
Got dem saint louis blues Im as blue as ah can
be
Like a man done throwed that rock down into de sea
Got dem saint louis blues Im as blue as ah can be

And she sang

Got dem saint louis blues jes as blue as ah can be
Dat man got a heart lak a rock cast into de sea
Or else he wouldnt have gone so far from me
Doggone it
I loves day man lak a schoolboy loves his pie
Lak a kentucky colnel ... loves his mint an rye
Ill love ma baby till the day ah die

Now a black-headed gal makes a freight train jump
the track
Said a black-headed gal makes a freight train jump
the track
But a long tall gal makes a preacher ball the jack

Lawd, a blonde-headed woman make a good man
leave the town
I said a blonde-headed woman make a good man
leave the town
But a red-headed woman make a boy slap his pappy
down.

BEFORE THE GREAT DEPRESSION

Song 3:
Ol' Man River
Paul Robeson
1927

<https://www.youtube.com/watch?v=eh9WayN7R-s>

Ol' man river
That ol' man river
He don't say nothing
But he must know something
Cause he just keeps rolling
He keeps rolling along
Rollin' along
He don't plant tators
He don't plant cotton
Them that plants 'em is soon
forgotten
But ol' man river
He keeps rolling along
You and me

We sweat and strain
Body all aching
And wracked with pain
Tote that barge
Lift that bale
Get a little drunk
And you land in jail
I gets weary
Sick of trying
I'm tired of living
Feared of dying
But ol' man river
He's rolling along

Song 4:
Manhattan Serenade
Louis Alter
1928

<https://www.youtube.com/watch?v=3MvqRvxbRoE>

That night in Manhattan was the start of it
We lived it and we loved every part of it
The glow of moonlight in the park
The lights that spell your name
The autumn breeze that fanned the spark
That set our hearts aflame
Our kiss was a
sky-ride to the highest star
We made it without touching a handlebar
And I gave you my love
To the melody of the music, the madness
That made our Manhattan serenade

AFTER THE GREAT DEPRESSION

Song 5:

Nobody Loves You When You're Down and Out
popularized by Bessie Smith
1929 (Original by Jimmy Cox, 1923)

<https://www.youtube.com/watch?v=Zea-1Fzi9JQ>

Once I lived the life of a millionaire
Spending my money, I didn't care
I carried my friends out for a good time
Buying bootleg liquor, champagne and wine

When I began to fall so low
I didn't have a friend and no place to go
So if I ever get my hand on a dollar again
I'm gonna hold on to it till them eagle's green

Nobody knows you
When you're down and out
In my pocket, not one penny
And my friends, I haven't any
But If I ever get on my feet again
Then I'll meet my long lost friend
It's mighty strange, without a doubt
Nobody knows you when you're down and out
I mean when you're down and out
When you're down and out
Not one penny
And my friends, I haven't any
And I felt so low
Nobody wants me round
their door
Without a doubt
No man can use you when you're down and out
I mean when you're down and out

Song 6:

My Baby Just Cares for Me
Walter Donaldson and Gus Kahn
1930 (Nina Simone version 1957)

<https://www.youtube.com/watch?v=7z5a7UUBuWA>

My baby don't care for shows
My baby don't care for clothes
My baby just cares for me
My baby don't care for cars and races
My baby don't care for high-tone places

Liz Taylor is not his style
And even Lana Turner's smile
Is somethin' he can't see
My baby don't care who knows
My baby just cares for me

Baby, my baby don't care for shows
And he don't even care for clothes
He cares for me
My baby don't care
For cars and races
Baby don't care for
He don't care for high-tone places

Liz Taylor is not his style
And even Liberace's smile
Is something he can't see
Is something he can't see
I wonder what's wrong with baby
My baby just cares for
My baby just cares for
My baby just cares for me

Select one of the songs from above, and try to find some additional information about it. Use what you learn to answer the questions below:

1. What is the title of the song?

2. What year was it produced?

3. Who is the vocalist?

4. Is this song trying to tell a story or send a message? If so, describe what you think the story or message is in two to three sentences.

5. Do any particular lyrics stand out to you or stick in your memory? Write them below.

6. How do you think the time and places these artists were living and working in influenced the music they were creating? Do you think this song invokes "The Roaring Twenties" culture?



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