Figure 6. "Pittsburgh Strike [1919 Strikers Demonstrating in Car]."

Photo by Bain News Service, 1919. Prints and Photographs Division, Library of Congress (LC-B2-5005-13), digital ID: LC-DIG-ggbain-29279.

The benefits of the business decade were deeply unequal. To many Americans, the 1920s seemed to promise the unending expansion of the American economy. Consumer goods proliferated. The number of telephones doubled, by 1930 about half of Americans had indoor toilets, and Henry Ford refined assembly line production, allowing many working families to own a car. Yet the expansion of the consumer economy depended on an equal expansion of the consumer credit economy; Americans bought their radios and other modern wonders on installment plans. Moreover, even with the greater availability of credit, full participation in the consumer economy remained a dream for most. As the economic historian W. Elliot Brownlee notes, "Only one family in six owned an automobile, only one family in five owned a fixed bathtub or had electricity in its home, and only one family in ten had a telephone."[21] As importantly, while the automobile and other manufacturing industries boomed, core American economic sectors lagged far behind. Workers in these "sick industries," including agriculture, mining, and New England textiles, were facing depression conditions well before the stock market crash in 1929.

Unions declined sharply in the 1920s under pressure from a conservative attack. Employers promoted an "American Plan" that celebrated the democracy of the open shop and that associated organized labor with un-American economic systems. Companies also promoted "welfare capitalism," providing workers with benefits such as home loans, group insurance policies, stock options, and regular sponsorship of sports teams all in the name of reducing costly labor turnover and improving industrial harmony. Perhaps most importantly, some four hundred firms created Employee Representation Plans, or company unions, which sought to promote worker allegiance to the company and to provide a kind of pressure release for workers thinking about organizing in their own interests. Welfare capitalists sought to prevent unions from ever rising again, and for a time they succeeded. The number of strikes receded dramatically, and union membership declined. The success of unregulated markets and welfare capitalism, however, was short-lived, and the mass unemployment, poverty, and insecurity of the 1930s would help spark the greatest surge in union members in U.S. history.

The Crash and Its Immediate Aftermath

On October 24, 1929, "Black Tuesday," traders on the New York Stock Exchange shed 16.4 million shares of stock, causing a drastic decline in the overall value of stocks. From a high of 381 on September 3, 1929, the Dow Jones Industrial Average ultimately fell to a low of 41.22 on July 8, 1932. Approximately five thousand banks failed between 1929 and 1933. Industrial production declined by over half between the crash and the middle of 1932. By that year, unemployment soared to between one-quarter and one-third of the total labor force. Things were not much better for those who managed to hold onto employment: wages fell 50 to 75 percent in the early years of the Great Depression. Economic sectors that had been struggling in the 1920s saw conditions only worsen; farm income declined by 60 percent, and one-third of famers lost their land in the 1930s. The industries that had driven the prosperity