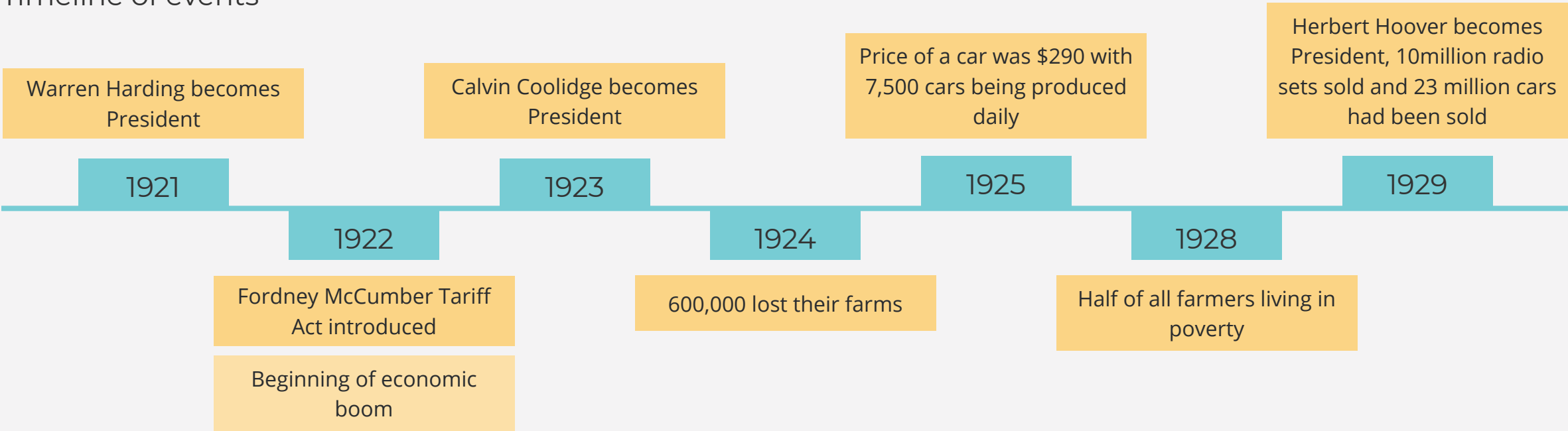


Key Question 4 : What were the causes of economic boom?

Timeline of events



Important concept

The economic boom was caused by a number of factors combining simultaneously. Some of those factors were based on luck (plentiful natural resources, European contras stalling) but some were down to innovative thinking and decision making (mass production and protectionism). However, some felt this boom was not built on stable foundations.

Key words

Assembly line	a series of workers and machines in a factory by which a succession of identical items are progressively assembled
Boom	a period of prosperity in the economy, the economy was doing well and many people benefited
Fordney McCumber Tariff Act	taxes were imposed on goods from abroad in order to encourage people to buy American goods, this is an example of protectionism
Hire purchase and credit	a way of borrowing money, the ability to get the goods and pay back over a period of time
Laissez-faire	translated as 'leave well alone' or 'let the people choose', a government policy of interfering as little as possible in the economy
Mass production	a method of producing goods on a large scale and quickly
Rugged individualism	personal liberty and free competition and the idea that people should be self-reliant
Trade union	organised associations that protect the interests of workers when negotiating hours, wages, conditions, etc. may also be known as labour unions

America's assets and development

- The USA had a supply of natural resources; timber, iron, coal, minerals, oil and land. Immigrants provided a cheap work force.
- European economies suffered during WWI but the USA experienced significant growth. US banks loaned money to Europe and businesses sold much needed goods. From 1922, the USA experienced an unprecedented economic boom.
- During the 1920s the electricity industry experienced a huge **boom**. By 1929 the majority of houses in America had electricity and 70 per cent of them used it for lighting purposes.
- Electrical power drove machinery in factories making it possible to introduce **mass production** to a number of factories.
- The car industry is the best example of mass production. **Henry Ford** was a pioneer, producing affordable cars for the people of America. As he produced more and more cars, he could reduce his prices. In 1908, the price of a car was \$850. By 1925 the price of a car was around \$290.
- By 1929, Americans owned 23 million cars. Workers earned good wages (\$5 per day), thousands of jobs were created, roads and petrol stations were built, as were hotels and restaurants.
- Systems of **hire-purchase and credit** were introduced. This meant that a person could buy something by paying for it on a monthly basis.
- **Advertisements** were placed on roadsides, on the radio, in newspapers and in cinemas and chain stores appeared for the first time, e.g. J P Penney. Catalogue shopping also became fashionable as it was a convenient way of buying goods.

## Key Question 4 : What were the causes of economic boom?

### New consumer society

- The biggest economic growth was in new industries such as chemicals, electrical goods and cars. The introduction of electricity in the home triggered a huge expansion in the household electrical goods industry.
- In 1919, 60,000 radio sets had been sold, but in 1929, 10 million were sold. There was a similar growth in sales of telephone equipment, from 10 million in 1915 to 20 million in 1930.
- America's building industry was busier than it had ever been during the 1920s. This was partly due to the demand for new factories and new office buildings for banking, insurance and advertising companies. This was the age of the **skyscraper** – companies wanted to demonstrate their power and importance by building the tallest and grandest offices.
- It was Ford's idea to build a car on an electrical **assembly line**. The car would move slowly along the line with each worker only doing one specific task. In this way, it would be possible to build a Ford Model T car in an hour and a half instead of 13.5 hours. By the mid-1920s, 7,500 cars were being produced daily - one car every 10 seconds!
- The car changed America in every way. It led to the construction of new roads and **suburbs**. People's way of life was changing in a big way. The development of the car industry sparked a growth in other industries, e.g. cars used 90 per cent of America's petrol, as well as 80 per cent of the country's rubber and 75 per cent of its glass.

### Attitudes and policies of Republican presidents

- There were three Republican presidents during the 1920s. The policy of these Republican presidents was that government should leave the economy alone – they adopted a **laissez-faire** (free market) policy. This meant that big businesses were free to expand without being held back by the government.
- **Warren Harding (1921-23)** promised a return to normality. He reduced taxes to give businesses more money to grow, and in 1922, he introduced the **Fordney-McCumber Tariff Act** which imposed a tax on goods from foreign countries. This made foreign goods more expensive than domestic goods, and so this encouraged Americans to buy American goods only. The name for this policy was **protectionism**.
- 'Business is America's business,' said **Calvin Coolidge (1923-29)**. Although he didn't do much (his nickname was 'Silent Cal'), Americans believed he was a good president because of the strength of the economy. He had a huge respect for businessmen and adhered to the **laissez-faire** policy.
- **Herbert Hoover (1929-32)** became president in 1929 following his promise to put a chicken in every cooking pot, and a car in every garage. Hoover believed in laissez-faire, but also in **rugged individualism**. This meant that people should not depend on the government for help - they should solve their own problems by working harder. Hoover lost the next presidential election in 1932 because of this viewpoint - it was too severe - especially after the Wall Street Crash and Depression.

### How did this prosperity affect American society?

- Farmers were producing too many crops causing prices to fall and farmers borrow money from the banks. Eventually many had to sell their farms and go looking for work
- By 1928 half of all USA farmers were living in poverty. 600,000 farmers lost their farms in 1924 alone.
- Black people suffered, especially in the southern states, where the majority worked on small farms as labourers or **sharecroppers** and lived in real poverty.
- Segregation, due to **Jim Crow laws**, and the presence of the **KKK** in the southern states, made life even harder and many black people migrated to northern cities like New York, Detroit and Chicago to find work in the new industries. Conditions remained hard for the majority of those who migrated north as they lived in ghettos and were often "the last hired and first to be fired".
- The unemployment rate amongst new immigrants remained high. Many were willing to work in any kind of job for very low wages.
- The traditional industries failed to respond to the new mass production. Also, following a reduction in the powers of **Labour Unions**, the workers were not in a position to be able to claim better wages and working conditions in the old industries.
- Coal prices fell and thousands had to be made redundant. **Ship building** was another major industry that had to make thousands redundant.
- New synthetic fibres were being developed, such as rayon. This became a very popular substitute to cotton. It was possible to produce rayon in factories where fewer workers were needed. Many textile mills were forced to close down.