

HOW FAR DID THE US ECONOMY BOOM IN THE 1920S?

- USA after WW1:
- greatest economic power in the world
 - did not suffer the financial and physical damage
 - American industries were boosted by wartime production
 - owed enormous sums by the Allies who had war loans

On what factors was the economic boom based?

1. The USA's wealth – rich in raw materials such as iron and fertile lands, hard working, ambitious population with a strong culture of self-help, changed from being rural and agricultural to urban and industrial.
2. New Industries – total production of American industry increased by 50% during 1920s, demand for consumer goods like new electrical goods e.g. washing machine and radios, the chemical industry created new materials such as rayon, and the motor car industry flourished e.g. Ford, General Motors, Chrysler.
3. Rising wages and stable prices – people could afford to buy new goods because their wages increased by 25% and prices were steady, some even decreased due to the introduction of the **ASSEMBLY LINE**.
4. Government policies – Republican government followed policies that stimulated the economy. Andrew Mellon, Secretary of the Treasury, believed government should play as little part in economic life as possible. Taxes were kept low so that people and companies would have more money to invest and tariffs on foreign imports (the Fordney-McCumber Tariff of 1922) were higher than ever before protecting American businesses from foreign competition.
5. Hire purchase – the consumer boom was encouraged by the availability of credit, enabled people to buy goods with small deposits and then pay off the rest weekly or monthly instalments. Mail-order catalogues e.g. Sears-Roebuck also became very popular.
6. Weak Unions – Republicans were hostile to trade unions this allowed employers to keep wages low and hours of work long.
- 7.

EXAMPLE OF A BOOMING INDUSTRY

Henry Ford and the automobile industry – 1920s saw a drop in the price of the motor car meaning that ordinary people could afford one. The first Ford car was the **MODEL T** specifically designed for the masses. In 1913 Ford pioneered the **ASSEMBLY LINE**, now huge numbers of standardised cars could be built more quickly and cheaply than ever before. The original price of a Model T was \$850; by 1924 this figure fell to \$260. The man hours needed to build a Model T fell from 12.5 to 1.5. By 1927, 15 million had been made. 'SPIN-OFFS' from the motor industry included not just the firms making the components

but also the oil industry, road construction, service stations, hotels and restaurants. The **SOCIAL CONSEQUENCES** of the motor car industry were as follows: traffic jams, road accidents, the growth of suburbs, increase of holidays, increase in entertainment in cities.

Why was there an economic boom? Match the cause to the explanations.

1. Wealth and Resources	5. Government Policy
2. New Industries	6. Hire Purchase
3. Rising wages	7. Mass Production
4. Weak Unions	8. Advertising
The widespread availability of electricity supplies created a demand for electrical goods like washing machines, vacuums and radios.	Low taxes encouraged business owners to invest and gave more money to consumers to spend.
The chemical industry created new cheap materials like rayon, bakelite and cellophane from which many new products could be made.	The USA possessed vast natural resources e.g. wood, coal, iron and oil.
The expansion of the motor industry stimulated other industries such as steel, rubber and glass. Roads had to be built and the oil industry was boosted.	The First World War had strengthened its position because the Allies had bought munitions and armaments from the USA.
Techniques of mass production enabled household goods and cars to be produced more cheaply.	The Allies also borrowed lots of money from the USA which they had to pay back with interest.
Improved advertisement techniques helped create demand.	During the fighting of the First World War the export markets of Britain, France and Germany were taken over by America.
During the 1920s the average wage of industrial workers doubled. This helped to boost demand.	A major reason for this was the adoption of Henry Ford's Assembly Line.
Finance companies fuelled demand for consumer goods by enabling to be them in weekly instalments.	Mail order catalogues gave people all over America chance to benefit from the consumer boom.

Tariffs on foreign goods entering the USA made them more expensive and encouraged Americans to buy home-produced goods instead.

The Republican government were hostile to trade unions. This meant employers could keep long hours of work as they were allowed to use violence to break up strikes and sack union members.

WHY DID SOME INDUSTRIES NOT BENEFIT?

The boom of the 1920s was created by the development and growth of new industries e.g. cars, electrical goods and chemicals. The growth of national wealth meant that people had more money to spend on goods that were new or that would previously have been seen as luxuries. The construction industry also boomed and skyscrapers like the Empire State Building changed the face of cities.

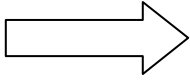
However, traditional industries did not experience an economic boom e.g. textiles, coalmining and ship building. **WHY?**

1. They were already mature industries with developed markets, consumer demand could grow only to a limited degree.
2. They had less scope for expansion than the new industries.
3. The textile industries in the North faced competition from factories in the South where labour was much cheaper, or from the new artificial fibres such as rayon and nylon.
4. Greater use of electricity and oil for heating meant that demand for coal fell.

WHY DID AGRICULTURE NOT SHARE IN THE PROSPERITY?

- a. Having benefited from the high prices paid for their produces during wartime supplying the Allies and their colonial markets, after the war when demand for American agricultural products fell dramatically farmers in the USA were **OVER PRODUCING**. In the 1920s farmers were producing more than the country could eat or use!
- b. All this came at a time when the population of America was actually falling and there were fewer mouths to feed.
- c. Farmers were also struggling against competition from highly efficient Canadian wheat producers.
- d. Surplus agricultural goods could be sold abroad but because of the high tariffs the US had placed on foreign imports other countries had responded by doing the same to American goods. People in other countries could not afford American goods. As a result prices collapsed. Farmers only earned one third of the average wage.
- e. The situation was especially bad in the south where farmers depended on single crops like tobacco or cotton. Not only was the price of the goods rock bottom but they were often ruined by pests such as the boll-weevil.

- f. Many farmers borrowed money in the hope that prices would recover but they never did. Many farmers were forced to give their land to the banks since they couldn't afford the repayments.
- g. The government did very little to help the farmers.



This was a serious issue. Over half of the American population lived in rural areas. These problems affected more than 60 million people!

Why did some people not benefit from the boom? Match the group to the reason.

<p>1. Farm owners</p>	<p>4. Farm Labourers</p>
<p>2. Coal Miners</p>	<p>5. Ship Builders</p>
<p>3. Textile industry workers</p>	<p>6. Casual Labourers</p>
<p>Demand fell, as they no longer needed to supply the Allies and their colonial markets. This meant they over produced.</p>	<p>They were struggling with competition from Canada.</p>
<p>These people suffered terribly because they depended entirely upon their employer as they were either paid starvation wages or were sharecroppers.</p>	<p>Surplus goods could not be sold abroad because of the high tariffs America had placed on foreign imports made other countries to retaliate by doing the same.</p>
<p>Pests such as the boll weevil sometimes ruined goods.</p>	<p>It was already a mature industry with developed markets; consumer demand could only grow to a limited degree.</p>
<p>This industry faced competition from the South where labour was much cheaper.</p>	<p>Faced competition from new artificial fibres such as rayon and nylon.</p>
<p>The demand for this product fell as the use of electricity and oil for heating increased.</p>	<p>They tended to be mainly black Americans.</p>
<p>The American population was falling.</p>	<p>Competition for jobs increased after the war and many Americans resented newcomers.</p>

HOW FAR DID THE US ECONOMY BOOM? DID ALL AMERICANS BENEFIT FROM THE BOOM?

EXPERIENCED THE BOOM BENEFITTED	DID NOT EXPERIENCE THE BOOM DID NOT BENEFIT
<ul style="list-style-type: none"> • The rich and middle classes • In 1929 one-third of all income was earned by 5% of the workforce. • New consumer industries – cars, electrical goods e.g. refrigerators, washing machines, radios, vacuums. There was a massive demand for these new, exciting goods and because of the adoption of the assembly line goods were mass-produced which meant they could be made faster and cheaper. In 1920 2 million radios were sold. In 1929 600 million radios were sold. • Construction Industry since they needed to build new roads, suburbs, sky scrapers etc. • The west and north-east, where most of the countries industry was, felt most benefit. • Fruit farmers benefited from the growing demand for fresh produce 	<ul style="list-style-type: none"> • In 1929 60% of the population still lived below the poverty line. Throughout the 20s the poor remained poor, or in rural areas got poorer! • The south, which was mainly agricultural, did the worst. Farmers did not experience the boom because they were too efficient which led to them over producing. As a result prices plummeted and many farmers went bankrupt. • The black population suffered discrimination of all kinds, not least in employment. 6 million moved to the cities in the north from the south. During 1919 there were race riots in many cities. • Those blacks who stayed in the south faced even worst conditions working as agricultural labourers or sharecroppers and living in conditions of extreme poverty. • Native Americans were living on reservations where land was so poor that it was impossible to scrape a living from it. • Workers from the traditional industries such as coal mining, textiles and shipbuilding did not experience the boom. There was not a great demand for these industries and they were also facing competition from new industries e.g. electricity, man-made fibres like rayon. • Casual workers and immigrants also did not experience the boom. They found it difficult to find jobs especially since electricity had mechanised jobs once done by men. Only 3 in every 100 had a car. Unemployment stood at 5% throughout the decade.

By the end of 1920s the USA was still deeply divided society with enormous differences between RICH and POOR, WHITE and BLACK, CITY and COUNTRY.

USA 1920s Revision flashcards

1 Causes of the economic boom <ul style="list-style-type: none">• Raw materials: coal, iron ore, oil.• New industries, electrical goods.• Government policies, laissez faire.• Hire purchase, 'buy now pay later'.	2 Henry Ford
3 Industries that did not prosper	4 Industries that did prosper
5 Problems in agriculture	6 Who did not benefit?
7 Roaring 20s	8 Women
9 Red Scare	10 The Ku Klux Klan
11 Reasons for Prohibition	12 Effects of Prohibition

USA 1930s Revision Flashcards

1 Causes of the Wall Street Crash	2 Social Consequences of the crash
3 Economic consequences of the crash	4 Presidential election 1932
5 Aims of the New Deal	6 Alphabet Agencies
7 Opposition to the New Deal	8 Supreme Court
9 Second New Deal	10 Successes of the New Deal
11 Failures of the New Deal	12 New Deal Conclusion

USA Source Questions

Study the sources carefully and then answer the questions which follow.

SOURCE B



A cartoon published in the USA in the 1920s.

SOURCE C



A painting entitled 'The Builder'. It was produced in America in the 1920s.

SOURCE D

The revolution was most apparent in the home. The percentage of households with radios rose from 20 to 51% between 1920 and 1930. Homes with vacuum cleaners from 9 to 39%; homes with washing machines from 8 to 24%.

An American writing in 1989 about the impact of the technological revolution in the 1920s.

4 (a) Study Source B.

What is the message of this cartoon? Use the source and your knowledge to explain your answer. **[7]**

(b) Study Source C.

Why was this source produced in America in the 1920s? Use the source and your knowledge to explain your answer. **[6]**

(c) Study Source D.

How far does this source explain why there was an economic boom in the 1920s? Use the source and your knowledge to explain your answer. **[7]**

What was the Boom? (4)

- 1.
- 2.
- 3.
- 4.

Why didn't everyone benefit from the boom? (6)

Reason 1	Explanation
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Reason 2	Explanation
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“The most important reason why the American economy boomed was the adoption of mass production.”
How far do you agree with this statement? (10)

The adoption of mass production was very important because.....

However there were many other reason why the economy boomed.....

Therefore I completely agree/partly agree/disagree with the statement because.....