

## Other Reasons why the USA boomed?

### Resources

The USA had a great store of natural resources such as wood, iron, coal, minerals, oil and land. These had helped America to become a great industrial power by the beginning of the twentieth century, and provided a sound basis for further expansion in the 1920s.

### Impact of First World War

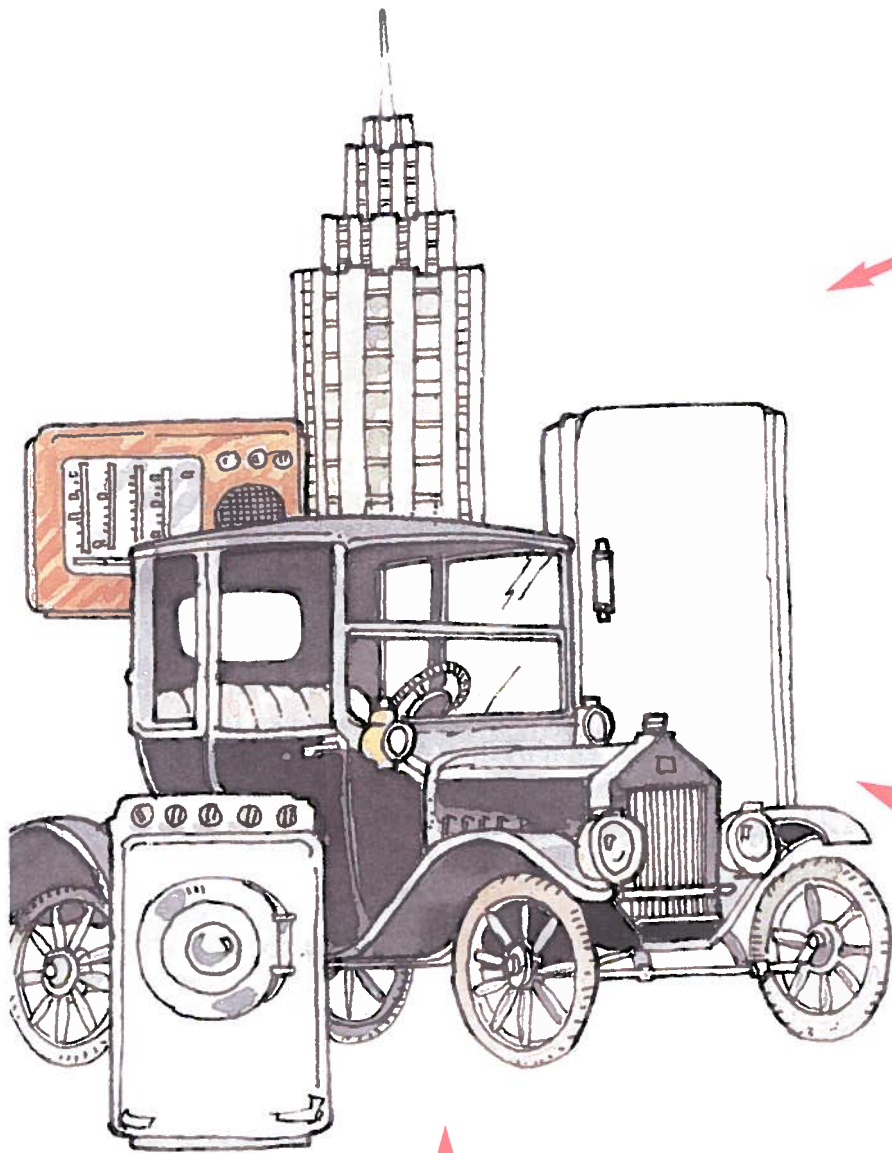
The USA had come out of the war well (see page 16). It had supplied Europe with many goods during the war and had taken over European overseas markets. In some areas, US industry was now the world leader, e.g. chemicals. The war hastened technological change (see below) which US industry seized on.

### Technological change

This was a period of great innovation. Plastics like Bakelite were developed effectively for the first time and were used in new household products. There were technological developments in many areas – automatic switchboards, glass tubing, conveyor belts, and concrete mixers. These helped modernise existing industries and develop new ones.

Underpinning all these changes was the development of electricity. Electricity provided a cheaper, more efficient source of power for factories. It also led to the production of new consumer goods such as refrigerators, vacuum cleaners and radios.

**A**LL OF THESE factors fed into the boom. Once it started, the boom became self-generating. The mass-production of cars stimulated the growth of industries that produced parts for cars: tyres, glass, metal and so on. More cars also led to the building of more roads and service stations, and an increased consumption of petrol. The development of electricity stimulated the growth of new industries making electrical products. New companies, setting up offices and large stores, created a demand for more buildings, so helping the construction industry. More people employed and earning a decent wage meant an increasing demand for goods.



## The policies of the Republican Presidents

Republican pro-business policies encouraged the boom:

- They lowered taxes on income and company profits, giving the wealthy more money to invest in American industry and buildings, and people more money to spend on American goods.
- They put TARIFFS on imported goods. This made imports more expensive compared with American-made goods and thereby helped American producers.
- They didn't interfere in business or put any controls on financial institutions.

## Confidence

Confidence amongst Americans was sky high. This meant confidence to buy goods, invest in companies, and to try out new ideas. Confidence is a vital ingredient in any economic boom.

## Credit

The growth of credit made it much easier for people to buy goods even though they did not have enough cash to pay for them on the spot. Firms arranged for customers to pay by instalment or hire purchase.

## Mass-marketing

Mass-produced goods have to be sold to a MASS-MARKET: if enough people do not know about or buy the goods, the system will collapse. So companies spent huge amounts on advertising. This new industry developed sophisticated techniques to persuade people to buy. The expansion of the mail-order companies gave consumers in the countryside access to the wide range of goods on offer.

## On what factors was the economic boom based?

### 1 The USA's wealth

By the early 1900s the USA was the world's leading industrial nation. It was rich in raw materials such as coal, iron ore and oil and also had a lot of fertile farming land.

The American people were hard working and wanted to make the most of their opportunities.

### 2 New industries

American industrial production increased by about 50 per cent during the 1920s. New industries were set up producing electrical goods such as washing machines, refrigerators, vacuum cleaners and radios. The demand for these products was very high.

New materials such as rayon and plastic were also developed. The most important new industry was the manufacture of motor cars.

### 3 Rising wages and cheaper prices

During the 1920s, goods, such as cars and radios, were produced in large numbers using assembly lines. This made them cheap to make and the price of goods fell.

At the same time wages went up, so people were able to afford all the new products that were coming on the market. Assembly lines were first used to make motor cars by Henry Ford, but it was a method that was soon widely copied by other industries.

### 4 Government policies

- Throughout the 1920s the Republican Party was in power in the USA. Republicans believed that the government should leave industry alone and allow factory owners to manage their own affairs.
- The Republican president from 1923 to 1929, Calvin Coolidge, said, 'The business of America is business.' The government cut taxes so that industries had more money to invest in new factories and machinery.
- American factory owners told the government they did not want any competition from cheap foreign imports. The government therefore put a tariff on foreign goods entering the USA making them more expensive to buy than American goods.

By the end of the 1920s, however, other countries were putting tariffs on American goods. This then made it more difficult for the USA to export goods.

### 5 Hire purchase

People were able to buy goods such as motor cars by **hire purchase**.

They put down a small deposit and then paid the rest off in instalments over a long period of time.

People were also able to buy goods by mail order. For example, Sears, Roebuck and Company of Chicago posted glossy catalogues to people all over the USA, enabling them to buy the latest fashions (see Source A).

#### SOURCE A



Sears, Roebuck  
and Co., Chicago

Spring and Summer - 1927  
Index and Information Page - 499 & 505

The front cover of the Sears, Roebuck catalogue for the spring and summer, 1927.

# Boom!

## Learning objectives

In this chapter you will learn about:

- the way new industries grew
- the effects of hire purchase
- the influence of advertising.

At the end of the war, the new industries that had been growing slowly before the war suddenly exploded into life. It seemed as if everyone was buying radios, cars, fridges, washing machines and telephones. What set off this sudden outbreak?

## Reasons to buy

There were several reasons for the increase in demand for these new goods. Mass production made them cheaper. Prices of radios, cars, fridges and other goods were falling all through the 1920s. But mass production was not the only factor. Wages were rising – the average wage rose 8% in the 1920s. Many of these goods ran on electricity, and after the war many more homes were connected to the electric grid. Advertising became big business in the 1920s, creating demand by persuading people they wanted and needed a fridge or a car.

Perhaps the biggest factor of all in the growth of these new industries was hire purchase. The fact was that many people could not afford to buy the new luxury goods outright. So shops and businesses set up payment-in-instalments schemes to get over that difficulty. Customers signed a hire-purchase agreement and put down a deposit on a radio or car. They then took the goods and paid off the rest of the cost in regular instalments. Before the war, some businesses had offered schemes like this. But they were seen as not quite respectable – a way of paying that poor people had to use because they could not buy even their necessities outright. After the war, more and more people made purchases this way. Many people took out mortgages on their homes, too. Being in debt was no longer shameful.

When Hoover took the oath as President in March 1929, he was proud and confident. 'We are a happy people – the statistics prove it. We have more cars, more bathtubs, oil furnaces, silk stockings and bank accounts than any other people on earth.'

**Source A:** From *The Free and the Unfree. A New History of the United States*, written by Peter N Carroll and David W Nobel in 1988.

Year	Fridges made	Radios made
1921	5,000	No record
1923	18,000	190,000
1925	75,000	2,350,000
1927	390,000	1,980,000
1929	890,000	4,980,000

## Value of goods produced in millions of dollars

Year	Radios	Electrical goods	Toys and sporting goods
1921	12.2	63.2	124.1
1923	50.3	76.3	167.1
1925	168.2	106.3	164.2
1927	181.5	146.3	182.5
1929	366.0	176.7	214.6

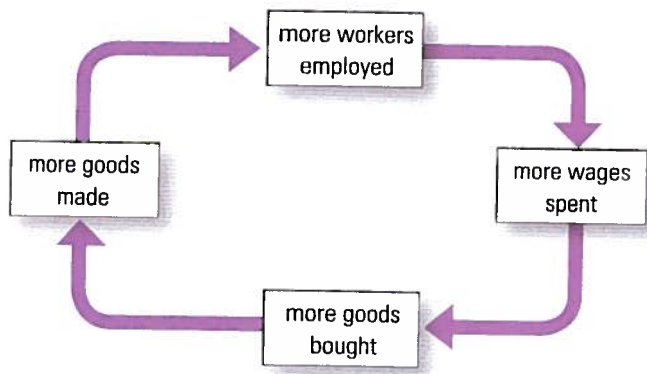
**Source B:** Some US government statistics that show the growth in production of consumer goods.



## Watch out!

Section B part (b) asks you to consider how one source supports another 'about...'. Make sure you consider the support about that particular issue.

## The boom cycle



**Source C:** An advertisement for a fridge from 1931. Unlike many adverts, it actually does mention hire purchase ('a few dollars down places one in your home today!'). This may well be because General Electric, the manufacturers, had their own hire-purchase schemes.

THE SATURDAY EVENING POST September 5, 1931

# WAITING is wasting

**T**HERE is no "closed season" for food spoilage. Fall and winter temperatures are uncertain. Food deteriorates rapidly in heated kitchens. Every day you postpone installation of an electric refrigerator is a day of waste—a loss that mounts as high as 10% of your total food bill. Why wait to end this drastic leak in the family budget?

Installed now, a General Electric Refrigerator will help repay its cost in the months just ahead—bring new economies, new convenience to your home.

Look to General Electric for the most modern, efficient type of refrigeration. Housed in the famous Monitor Top, the simple mechanism needs no attention. All-steel cabinets are porcelain lined, stain and acid-resisting. The sanitary Super-Freezer is easy to clean—cannot retain food odors.

Sliding shelves, exclusively General Electric, bring food within plain sight and easy reach.

And the complete General Electric Refrigerator is guaranteed against service expense for 3 long years! A few dollars down places one in your home today.

You will be interested in our magazine, "The Silent Housewife." Each issue contains many delightful recipes, household hints, health talks, entertaining suggestions, all written by noted authorities. Send your name and address. A copy will be sent you free. General Electric Company, Electric Refrigeration Department, Section 591, 1400 Euclid Avenue, Cleveland, Ohio.

Join us in the General Electric Program, broadcast every Saturday evening, on a nation-wide N. B. C. network

**GENERAL ELECTRIC**  
ALL-STEEL REFRIGERATOR

IDENT HOUSE AND COMMERCIAL REFRIGERATORS, ELECTRIC WATER COOLERS

## Activities

- 1 Turn the *reasons to buy* section into a list of bullet point headings.
- 2 Re-draw the 'boom' diagram, adding: 'higher demand for goods', 'more profits' and 'more demand for goods' in the right places on the cycle.
- 3 Which of the following can you **not** infer from Source C? Explain your answer.
  - In 1931 women had a wider range of food available to them in 1900.
  - In 1931 fridges were a desirable item.
  - In 1931 most women were expected to be housewives.

## Build Better Answers

**How far does Source B support the evidence in Source A about American prosperity in the 1920s? Explain your answer. (7 marks)**

Paper 2, Section A part (b) questions will ask if one source supports the evidence in another source.

■ **A basic answer (level 1)** will compare the two sources for evidence of support OR the lack of it, giving generalised examples from the sources. For example, *They both suggest that Americans were well off.*

● **A good answer (level 2)** will consider support OR the lack of it, using detail from the sources. For example, *A says they have more things than any other people on earth and B supports the idea that people bought lots of consumer goods, millions of dollars worth of goods.*

▲ **An excellent answer (level 3)** will consider the overall support given making a judgement on the extent of the support using phrases such as *very little support* or *strong support*. For example, *Source B doesn't mention the items (cars, stockings etc) in Source A. But the millions of dollars spent and amount of goods made gives strong support to the idea in A that the country was prosperous.*

# Which other industries experienced a boom?

Although the car industry led the way, several other industries experienced a boom in the 1920s.

## The construction industry

Economic growth led to a greater demand for buildings of every sort, including department stores, factories, houses in the suburbs, offices, hospitals and government buildings. There was a boom in office building as the number of banks, insurance and advertising companies and showrooms for new cars and electrical products grew rapidly. The development of new materials enabled the construction of new, taller types of buildings, which provided more space. The tallest buildings were skyscrapers, which transformed the skyline of New York and other major cities. More and more roads were needed as car sales soared. The American construction industry was busier in the 1920s than it had ever been before. Dependent industries also experienced a positive knock-on effect, and there was a growth in the manufacture of bricks, tiles, glass, furniture and electrical goods.

**Source A:** New York construction workers eat their lunches atop a steel beam 250 metres above ground, September 1932



## Transport

The transport system improved greatly in the 1920s. By 1930 the total length of paved road in the USA had doubled, and the number of trucks on the road increased threefold to 3.5 million by 1929. Bus travel also proved popular. Air travel became possible for the first time in the 1920s. By 1929 there were 162,000 domestic and commercial flights. On 20 and 21 May 1927, Charles Lindbergh shot to world fame when he piloted the first non-stop solo transatlantic flight from New York to Paris in the single-seat, single-engine monoplane *Spirit of St Louis*. In the late 1920s and early 1930s, Lindbergh used his fame to promote the rapid development of US commercial aviation.

**Source B:** Charles Lindbergh, with *Spirit of St Louis* in background, May 31, 1927


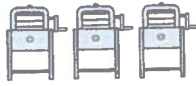






## Electricity and electrical goods

Electricity usage had developed slowly before the war but grew rapidly in the 1920s. By 1929 most homes in US cities had electricity. This stimulated industrial growth, as electricity provided a far more flexible and efficient form of power for factories

and workshops. Moreover, it encouraged the development of a whole range of electrical goods, such as vacuum cleaners, radios, washing machines and refrigerators.

**Source C: A table showing the growth in ownership of electrical goods in the 1920s**

Percentage of households which had these goods	1920		1930	
	Percentage	Icon	Percentage	Icon
washing machines	8%		24%	
vacuum cleaners	9%		30%	
refrigerators	1%		8%	

## Department stores

The 1920s also saw the growth of department stores as more and more people bought consumer goods, especially electrical appliances. In the cities, newly opened chain stores stocked the full range of goods that were now available. In addition, the USA was the first country to have a supermarket: JC Penney opened a chain of supermarkets known as Piggly Wiggly. The first was opened in Memphis, Tennessee, in 1916. Unlike in the old shops, where customers waited to be served at the shop counter, in the new shops customers helped themselves to the goods, which were individually priced, and paid for them at the checkout.

**Source D: The inside of the first Piggly Wiggly store, 1918**



## Advertising

The advertising industry also grew rapidly as more and more firms realised the potential of advertisements for increasing sales and profits. The industry used sophisticated techniques incorporating eye-catching colour and memorable catch-phrases. Although magazines and newspapers remained the most important outlet, radio and cinema provided a range of new opportunities for advertisers.

**Source E: Refrigerator advertisement from an American magazine, 1929**

**Kelvinator**

Cold that keeps

**Startling low price**  
 announced in newspapers February  
 take-out the measure. Double the old  
 price, and examine this wonderful  
 new model. Easy payments.

**A NEW IDEA in Electric Refrigerator Construction**  
 that brings Kelvination within reach of every home