

# How did prosperity of the 1920s affect the nation and the American people?

## I. Growth in the 1920s

- A. After World War I, the American economy experienced a two-year recession. Many soldiers came back to the United States looking for jobs, creating an overabundance of workers competing for too few jobs. Government orders for wartime goods stopped, forcing many companies to lay off workers. Other companies went bankrupt. At the same time, prices rose, causing hardship for many families.
- B. After this short downturn, the economy began a period of steady growth that lasted for most of the 1920s.
- C. Technology made rapid industrial growth possible. The spread of electricity to most factories by 1929 cut business costs because it was cheaper than steam power.
- D. The use of scientific management, a new way of managing operations, also contributed to economic growth. Companies hired experts to study how goods could be produced faster. By adopting new production methods, businesses lowered costs and increased productivity.
- E. Many businesses adopted mass production methods, using the assembly line. Mass production also increased productivity and cut the cost of production.
- F. Businesses tried to build better management-worker relations by setting up safety programs and offering health and accident insurance. Many companies also encouraged workers to buy company stock. This “welfare capitalism” was designed to link workers more closely to the company and discourage the growth of unions.
- G. The demand for consumer goods also grew. As electricity became more widely available, there was a growth in the demand for electric appliances, such as radios, fans, refrigerators, and stoves. As more of these products were produced, production costs and prices dropped. Many of the appliances made housework easier and gave Americans more leisure time.

- H. Ads for consumer goods flooded newspapers, magazines, and radio broadcasts. As consumers were encouraged to buy more goods, installment buying became common. Consumers could buy products even if they did not have all of the money to purchase an item. Instead they could promise to make small, regular payments over a period of time. Installment buying boosted consumer spending.

## II. The Automobile Age

- A. Automobile purchases climbed during the 1920s as an increasing number of Americans used the installment buying plan to buy cars.
- B. The popularity of cars boosted the American economy. Almost four million Americans worked for automakers or in businesses related to auto manufacturing.
- C. Henry Ford pioneered the manufacture of affordable automobiles.
1. The Model T, built using the assembly line methods, was sturdy, reliable, and inexpensive.
  2. Ford stunned the business world in 1924 by announcing he would pay his workers the high wage of \$5.00 per day. Ford's gesture was good for business. His workers were content, and by paying them high salaries, he created many new potential buyers for his cars. As the price of the Model T dropped, its sales continued to rise.
- D. The popularity of the automobile affected other industries.
1. New roads and highways were built.
  2. Gas stations and rest stops had to be built along these roads.
  3. Businesses along major roads profited from the millions of people who began to travel around the country by car.
  4. The car boom also boosted industries that made materials used to build cars, such as steel, rubber, and glass.
  5. The oil industry benefited from the increase in demand for gasoline.
- E. Cars contributed to the spread of suburbs. Because people could drive to work from a distance, they could live in a suburb but still hold a job in the city.

- F. Some groups of Americans, such as farmers, did not share in the economic boom of the 1920s. After World War I, the government stopped buying crops such as wheat and corn, and American farmers had to compete with European farmers. Farm income fell as a result, and many farmers lost their land.
  
- G. The economic boom also left some industries behind. Workers in the coal and railroad industries suffered, as electricity replaced coal as a power source and as trucks took business away from railroads.
  
- H. Wages rose slightly for most workers, but the cost of living rose more. As a result, by 1929 nearly three-fourths of families had incomes below the accepted level necessary for a comfortable life.