

# BBC Bitesize GCSE History – The USA in the 20th century

## Episode 2 – The United States and the economic boom

**Announcer:** BBC Sounds, music, radio, podcasts.

**Katie:** I'm Katie Charlwood.

**Datshiane:** And I'm Datshiane Navanayagam. Welcome to Bitesize GCSE History.

**Katie:** This series is on American politics and society in the 20th century.

**Datshiane:** And this is the second episode in a nine-part series. Today we're talking about the development of consumerism and mass production. And government policies that contributed to a time of economic boom for the United States in the 1920s.

**Katie:** I think it might help, Datshiane, if we define 'boom'.

**Datshiane:** Well, why did the economist refuse to go on a rollercoaster?

**Katie:** Because he didn't want to experience any ups or downs.

**Datshiane:** Boom, boom.

**Katie:** Not that sort of boom. But ups just about captures it. Boom is when the economy is on the up.

**Datshiane:** It's a period of time when the vast majority of businesses are doing well.

**Katie:** Sales are high, people's wages increase and unemployment is low.

**Datshiane:** But it also co-existed in a time of huge inequalities in society.

**Katie:** We'll be sending our time-travelling Bitesize reporter back to the 1920s to find out more.

**Datshiane:** And along the way we'll share revision tips. Remember if you think it's useful make notes. Please do. And feel free to press pause and rewind whenever you need to.

**Katie:** Two of the themes threading through this series will feature strongly in this episode - capitalism and economy.

**Datshiane:** But first, let's separate out what factors contributed to the economic boom time of the 1920s.

**Katie:** The First World War had ended a few years earlier in 1918.

**Datshiane:** Exactly, Katie. The war was a factor. Remember the letter C for key concepts such as causes, consequences, change and continuity? Well, one of the consequences of the First World War was that Britain and its allies had to borrow money from American banks. The USA stayed out of the war for more than half of it so it could afford these loans. And this created enormous wealth for America.

**Katie:** The policy after the war was called 'isolationism.'

**Datshiane:** Yes, so that policy meant that the USA was the only major nation without huge wartime debts when the war ended in November 1918. Other countries however, like Britain, France, Russia and Germany, were hugely economically damaged.

**Katie:** Useful to have wider context. Another one for our C list. Kerching!

**Katie:** Okay so let's get another factor for our boom.

**Datshiane:** So, the Republican Government of the time took a laissez-faire approach to the economy. Remember that term from the last episode? It means leaving business to create wealth without government intervention.

**Katie:** Yes so that meant cutting taxes for the rich and their companies allowed business owners to invest more of their wealth in expanding their businesses. Taxes were low in general so ordinary people had more to spend.

**Datshiane:** Meanwhile, the Fordney-McCumber Tariff put high taxes on imports making them more expensive. So, customers ended up buying more American goods which was cheaper, creating more jobs for Americans.

**Katie:** And the number of homes with electricity played a role. Just 15% had electricity in 1916. But eleven years later it was a whopping near-70%. And everyone wanted the shiny new gadgets for sale.

**Datshiane:** Oh, you mean like the latest smartphone?

**Katie:** Well, not quite. The 1920s equivalent. People wanted the latest telephones, radios, refrigerators, washing machines and gramophones to play their new jazz music on.

**Datshiane:** Technology and invention. That was another factor driving the boom. Like that other little luxury - the vacuum cleaner. This is an advert from the Good Housekeeping Magazine in February 1920. 'Free afternoons for you. Let the Torrington Electric Vacuum Cleaner give you easy mornings and free afternoons. It costs less for electric power to run a Torrington for a year than for a cleaning woman for half a day's work.'

**Katie:** A couple of interesting things about that advert. Firstly, the assumption that only women would be doing the housework. But also, that modern technology such as this gave people more leisure time.

**Datshiane:** That's exactly it. And also, this advertising was driving and encouraging demand for consumer goods.

**Katie:** And this created more jobs in the factories.

**Datshiane:** Which meant more jobs and more money in the pockets of the workers who could afford to buy new electrical items.

**Katie:** And so on and so forth.

**Datshiane:** That Good Housekeeping advert for that must-have vacuum cleaner is really timely for us, Katie.

**Katie:** Yes indeed, because the next factor in this boom is advertising.

**Datshiane:** Colourful billboards, newspapers and magazines urging people to keep up with the neighbours and driving sales up.

**Katie:** Catalogues made buying super easy with hire purchase payments and with delivery to your door.

**Datshiane:** Honestly, that sounds exactly like how it is right now.

**Katie:** And there were schemes to boost sales, giving customers more credit like 'buy now pay later,' letting people buy as investments. Six out of ten cars were bought like that.

**Datshiane:** You can see that advertisers are starting to use their powers of persuasion. Pick any 1920s poster selling a car as a source to show off your knowledge of how the economic boom was being driven - no pun intended.

**Katie:** Like this one, advertising Ford's Model T Touring Car.

**Datshiane:** 'Buy it because it's a better car. A snip at six hundred and fifty dollars.'

**Katie:** Cars were a big part of mass production. Mass production was another key factor in the 1920s boom.

**Datshiane:** Because cars used large amounts of American steel, leather, rubber and glass. And so, there were more jobs in these industries too.

**Katie:** And producing goods got quicker. So, the goods got cheaper.

**Datshiane:** It wasn't only cars though in this consumer society. Many American businesses used similar mass production methods. From ready-to-wear clothing and processed foods to household appliances.

**Katie:** Like our lovely Torrington vacuum cleaner.

**Datshiane:** Exactly. More money, more buyers, more goods, more quickly.

**Katie:** Did you know, there were only sixty thousand radio sets bought in the USA in 1919. Ten years later, ten million.

**Datshiane:** That is a snappy little statistic. By the end of the decade nearly half the world's consumer goods were made in the USA .

**Katie:** Wow! These facts and source quotes are all good supporting evidence for a question that might ask you about why the American economy boomed in the 1920s. Have a go at that after the podcast or go to BBC Bitesize for more.

**Datshiane:** Okay. So, this might be a good moment to share a new word. Well, it's a made-up word. But it will help us remember the causes and consequences of the American boom in the 1920s.

**Katie:** Alright, Datshiane, what have you got for us?

**Datshiane:** ASHAME. Sounds a bit strange but hear me out. A is for afford. S is for spend. H is for hire purchase. A is for advertising. M is for mass production. And E is for employment.

**Katie:** ASHAME!

**Datshiane:** Are you happy?

**Katie:** Happy but ashame-d. Americans could A - afford more because unemployment and taxes were low. A consequence of this was that they could S- spend more. H for higher purchase and credit helped. A - advertising on posters and billboards and in mass media like papers and magazines persuaded people to buy. M - mass production of cars and the latest technological gizmos like electrical kitchen appliances played a big part. High E - employment - helped to make more goods for people to buy.

**Datshiane:** All fuelling the boom. Ashame!

**Katie:** So Datshiane, remember my Ford motor car advert for the Model T.

**Datshiane:** I do, Katie.

**Katie:** So, by 1926, there were nearly twenty million cars on America's roads. And half of them were Fords.

**Datshiane:** Yes. So, Henry Ford opened his first factory in 1903 in Detroit, Michigan. Within ten years he introduced the assembly line using an electric conveyor belt at which workers repeatedly assembled parts like wheels.

**Katie:** Including those Model Ts in the ad you used as a source.

**Datshiane:** Yes. So, the motor industry played a big part in this boom. Let's check in with our time-travelling reporter in 1925, Kitty.

**Kitty:** I'm standing outside the iconic Ford Motors factory in Detroit. The smell of the air is a mix of oil, metal and sweat as workers pour in and out; a testament to the booming American economy. The assembly lines here at Ford turn out Model Ts like clockwork. One car every ten seconds. It's the roaring twenties and it feels like the future is arriving at full speed. President Calvin Coolidge's words still echo: 'The chief business of the American people is business.' You can see it here. Ford's success symbolises America's hands off approach. In other words, minimal government interference, low taxes and innovation are all leading the charge. Talking of which, electricity is making its way into homes, and new products like radios and refrigerators are in high demand. One worker here told me, 'This job, this car. It's not just metal and wheels. It's the American dream.' With wages rising and consumerism souring it seems like anything is possible in this new age of prosperity. America is speeding towards the future in their new Model Ts. And there's no looking back. This is Kitty reporting from Detroit 1925. Back to the studio.

**Katie:** Thanks, Kitty. For every person working in a car factory there were ten more making parts for cars. See how it affects employment. And so, there were many other jobs like building roads, garages, and restaurants, and oil refineries to supply the fuel.

**Datshiane:** With all this there's one last but very important factor in driving the boom. The stock market.

**Katie:** Oh yeah that's a biggie.

**Datshiane:** So, during the 1920s, millions of ordinary Americans, as well as wealthier people, played the stock market. So, buying shares in companies and selling them for more in this time of plenty.

**Katie:** Yeah. But there's just one snag. If you invested in a company the shares you bought could drop in value if the company was doing badly. It could even end up worthless.

**Datshiane:** And more of that in Episode 6 when we grapple with the Wall Street Crash and the Great Depression.

**Katie:** So, it sounds like people were benefiting from the American boom in the 1920s. But some were left out. Particularly in the rural areas or workers in traditional industries.

**Datshiane:** Exactly, like those in cotton and wool factories. New nylon fibres made natural materials less popular. Prices fell and many factories shut down. Coal miners also suffered since oil, gas and electricity were more in demand.

**Katie:** This led to sharp inequality. By 1927 there were thousands of millionaires. But seventy million Americans lived below the poverty line. So, they didn't have enough to buy decent food or housing.

**Datshiane:** Yeah so wealth was spread very unequally. Listen to this. The richest 5% earned a third of all the money.

**Katie:** And some large industrial companies kept their profits high by paying low wages to unskilled workers.

**Datshiane:** Farming was badly hit. By the early 30s farmers were earning just one third of their income in 1920. It's incredible. But why? What were the causes, Katie?

**Katie:** There's always pros and cons to policies. Remember the USA was taxing imports? Well, some countries taxed American products. So, American grain was more expensive. And technologically advanced farming machinery was producing more food, so prices fell and farmers got poorer.

**Datshiane:** So, some farmers had borrowed money from the banks to buy that new equipment. But, when they couldn't repay it they were forced to sell their homes or were evicted. Farm labourers lost their jobs too.

**Katie:** African American workers were among those not to benefit. Not only was racial discrimination a central cause of inequality but many black Americans were farm workers. And we've seen that farming was badly hit.

**Datshiane:** And life was extremely tough for the Native American population. Much of their land had been confiscated. Many had to move to reservations where the soil was often too poor to farm properly. And most lived in poverty. With poor social services like education and health care and the lowest life expectancy of any other ethnic group in American society.

**Katie:** And there's more on the Bitesize website on this.

**Datshiane:** Okay. So, a lot there. Let's take a breath and do a recap.

**Katie:** The 1920s saw an economic boom in the USA for a number of reasons.

**Datshiane:** An isolationist policy by the USA after the First World War, low taxes and high employment helped rich people to invest money in businesses and others to buy goods.

**Katie:** The Fordney-McCumber Tariff taxed imports making home-produced goods more attractive.

**Datshiane:** In this consumer society, people wanted new goods. New mass production techniques helped make more faster bringing down prices.

**Katie:** Henry Ford and the motor industry were in the thick of these new practices.

**Datshiane:** And the stock market was one of the biggest success stories of the 1920s.

**Katie:** But life was not booming for everyone in 1920s USA.

**Datshiane:** Remember, people working in traditional industries like cotton factories, farmers and farm labourers suffered.

**Katie:** African American workers were generally shut out of the boom. Life was also hard for the Native American population in 1920s America.



**Datshiane:** In the next episode, we'll look at immigration in 1920s America.

**Katie:** Thanks for listening.