

Why was there an economic boom in 1920s America?

Background information

In the 1920s the United States went through an industrial and social explosion, and this is often referred to as the 1920s boom. In this time, the output of American industry doubled. In particular, the following industries saw huge growth:

| Goods | Levels produced pre-1920 | Levels produced by 1929 |
|------------|--------------------------|-------------------------|
| Cars | 9 million | 26 million |
| Radios | 60,000 | 10 million |
| Telephones | 10 million | 20 million |
| Fridges | For every one ... | ... there were 167! |

By 1929 America produced 50% of all consumer goods in the world.

This surge in industrial production was largely followed by an increase in living standards; as wages rose commercial goods became more available and working conditions improved. America became the industrial envy of the world.

How did the Boom come about?

Interpretation A

Historian A. F. Stanford writes in 1987 about the causes of the American 'boom' related to The First World War

'Before the 20th century, America had stayed out of European affairs due to a policy called 'isolationism'; they were wary of the many silly wars and conflicts in Europe, and were busy enough building their own country. During the first half of the First World War (until 1917), this benefited America greatly. American banks made lots of money through loans to the Allied powers; sold them food, arms, and fuel; and America stayed out of the worst of the war. Furthermore, America was able to overtake other countries and Germany in particular, in industries they had previously dominated, such as pharmaceuticals and textiles.

In 1917, this changed as America joined the war on Britain's side; however, this did not undo the benefits America had won in the first half of the war. By now, American industry was pumping out more guns than the Allies could buy, so the American government paid for them for the US military instead. Getting involved in the First World War saw a huge growth in the power of the US military, and the start of a powerful military-industrial link, which hugely boosted the US economy.'

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Source B

In this extract US Senator P. J. McCumber, from the Republican party explains his party's economic policies in 1922. McCumber was half of the 'Fordney-McCumber partnership' which pushed the Fordney-McCumber Tariff through Congress. The Republican Party dominated American politics in the 1920s.

'Americans want to buy American goods, and they're the best in the world so why wouldn't they! So why don't we make it easier to buy American goods, and harder - or at least more expensive - to buy foreign goods. That's the idea behind this tariff - charge companies more money to import foreign products and put higher taxes on shops that sell foreign goods, that way, people will naturally buy more of our exceptional American industry. The Fordney-McCumber tariff will kick-start a new golden age of American manufacturing! Whilst we're at it, we can use these Tariff taxes to lower other taxes paid by hard-working American businesses so they can employ more people, and lower the taxes on business owners so they can build more factories! That's how the American people should spend their money - making more money for all of America - not paying big taxes to big government.'

Source C:

Here, a recent millionaire explains how he had made his money from the burgeoning stock market in 1928. Wall Street was where the stock market, or New York Stock Exchange, was located, and the centre of all trading in stocks and shares. Stocks and shares are small parts of ownership of a company - if you thought a company was going to do well, you could buy a tiny part of it, and then when they were successful you could sell it back at a higher price. In 1920 there were four million people in America who owned shares; by 1929 this had risen to over twenty million.

'Wall Street is where it's at, mark my words, you can turn a scrap dime into a million bucks! I scrimped and saved, and put all of my monthly pay packet into power company shares just over a year ago. Would you believe it, the shares increased by almost 25 times! Every time I got a pay-out, I wanted to spend it, but by golly did I hold tight! I re-invested every cent, and my fortunes just kept on multiplying. I've cashed out my first million now, but I've still got over a million in the exchange, and I'm just watching it grow!'

Source D:

A French businessman who had set up an insurance company in Chicago in 1925, explaining why he thought America was doing so well financially. France was struggling with strong trade unions at the time and a record-low in productivity

'These Americans, they work so hard! They believe in this thing called 'rugged individualism', and I cannot understand it. They do not want the government to help them, they do not want their boss to help them, and they do not even want their parents to help them! They will rely only upon themselves. Goodness me, they even refuse breaks and days off because they want to work more hours ... When I opened my business, I hired five men - by the third day I had to fire one of them, because they were working too hard and they had finished all of the work I had for them. This country is mad ... But these people are making me rich, so I don't mind.'

Interpretation E

A brief overview of the Presidents of the United States during the 1920s

- **Woodrow Wilson, 1913-1921:** Wilson was a Democratic president, and was a huge factor in America's eventual involvement in the First World War - it is often argued that a Republican, or even another Democratic president, would never have taken the United States into the War.
- **Warren G Harding, 1921-1923:** Harding focussed on boosting business, and 'getting America back to normal' after some economic trouble at the start of the 1920s, and the First World War. He is most famous for repeated insistence that people had to work hard in order to prosper. He was a Republican.
- **Calvin Coolidge, 1923-1929:** Coolidge was a very popular president who cut taxes for companies, and famously said that 'the chief business of the American people is business'. He was a Republican.
- **Herbert Hoover, 1929-1933:** Hoover was the largest proponent of 'rugged individualism', and actively encouraged as many people as possible to invest in the stock market. He was also a Republican.

Tasks

1. Read the background information. Highlight or annotate the key terms and dates in this section.
2. What was the 1920s boom? Write one or two sentences in your own words to explain what it was.

Challenge: Why do you think we use the term 'boom'?

3. How might the boom have affected the daily lives of Americans? Give examples.
4. Read through the sources and interpretations. Highlight or annotate details, names, and key terms.

Hint: Don't forget the provenance. The exam board will always provide hints here, and you can often learn just as much from the provenance as from the source/interpretation.

5. Fill out the five boxes on the 'Production line for an economic boom' worksheet. Your first step should be to condense the information from the sources and interpretations into the key facts which contributed to the 1920s boom.
6. Can you show links between the five boxes/factors? Draw arrows to link the boxes.

Challenge: Can you turn the boxes into one overall 'production line' to show how these factors all came together to create an economic 'boom'?

Think: How can you show significance? Should more important links have thicker arrows?

7. Write an answer to the following exam-style question:

'In what ways did the US economy change in the 1920s?' [8 marks]
You should write two paragraphs for this.

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Production line for an economic boom:

