

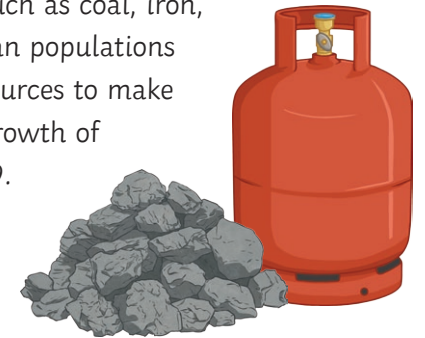
Boom in the USA Knowledge Organiser

Key Terms

boom	Fast-paced economic growth.
credit	Buying things using the promise of paying in the future, usually with interest payments on top.
hire purchase	Buying a product and paying for it later in instalments.
shares	A small percentage of a company that can be purchased and traded. Shares give their holder a share in the company's profits each year, called a dividend.
suburbs	The area on the edge of a city that is predominantly made up of homes.

Resourceful USA

The USA had a booming economy by 1920. The First World War saw great demand from countries like the UK and France for American resources for the war effort. Following the war, America was in a better financial position than Europe as it had not been part of the war long. Most American wealth came from its huge amount of natural resources such as coal, iron, oil and gas. The growth of factories and urban populations meant that the USA could harness these resources to make a lot of money. The USA enjoyed economic growth of approximately 40% between 1920 and 1929.



Republican Party Policies

The Boom was sustained by the government which was run by the Republican party throughout the 1920s. This government had three important policies to encourage economic growth:

- **Low Taxation:** low taxes left consumers with more money to spend on consumer goods and businesses with more money to spend on growth.
- **Laissez Faire:** the idea that people and businesses should be left alone by the government and be allowed to spend, earn and grow as they wished.
- **Tariffs:** taxes on goods coming into America (imports) meant that people preferred to buy American-made goods. This encouraged growth in American businesses.



Consumerism

Low taxation and growing businesses meant that people had more disposable income. Advertising in cinemas and newspapers encouraged people to buy the latest gadgets and time-saving inventions such as fridges, radios and Hoover vacuum cleaners. Sales of clothing, cigarettes and other consumer goods increased too. Larger items were made available to poorer people through the use of buying things on **credit** using **hire purchase** schemes.

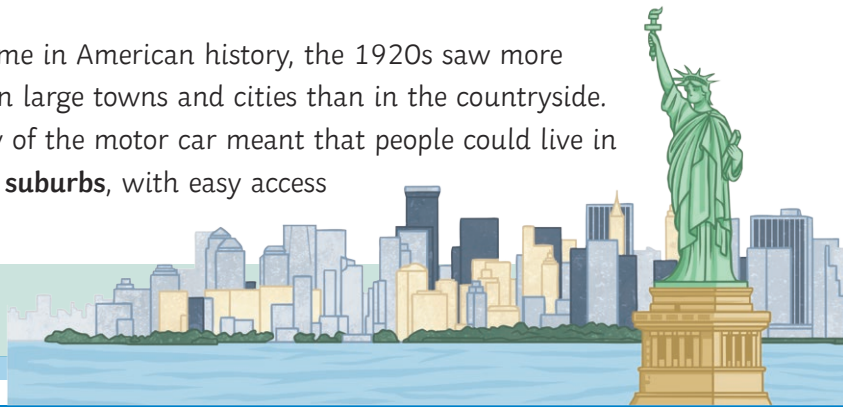


The Stock Market

Growth in business in turn led to growth in the stock market. **Shares** were available to many Americans and the trading of these made many people a lot of money as businesses grew. The selling of shares then provided businesses with more money with which to expand, meaning they could sell more shares. This cycle seemed to be able to create wealth indefinitely.

Urbanisation

For the first time in American history, the 1920s saw more people living in large towns and cities than in the countryside. The popularity of the motor car meant that people could live in newly-created **suburbs**, with easy access to city jobs.



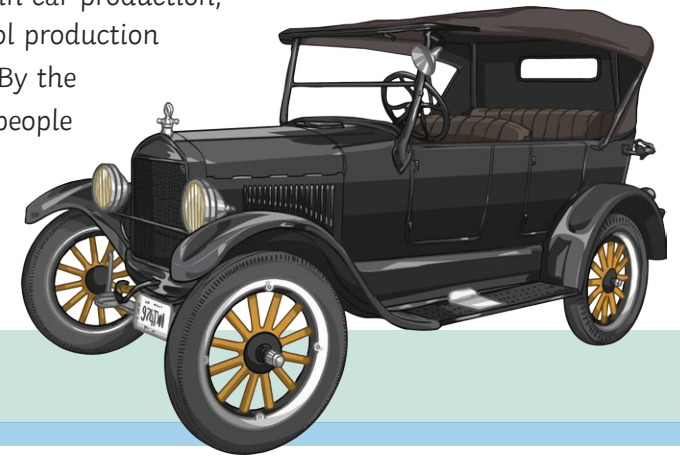
Distribution of Wealth

The USA saw a growth in the middle classes who became steadily wealthier based on new businesses and resource markets. Not everybody benefited though. The richest 5% of Americans owned 32% of the wealth, with 42% of Americans sharing 10% of the wealth.

Traditional industries such as textile production and coal mining did not grow during the boom, keeping workers in these industries poor. Farmers suffered a reduction of \$9 billion in their industry between 1919 and 1929. Farms found that by using modern methods they were overproducing food which meant that prices dropped.

Henry Ford

The motor car industry was the most valuable and growing industries in 1920s America. Henry Ford revolutionised car production with new mass production techniques that used the first moving production line. His Model T car sold in huge numbers. In 1900, 4,000 cars were made in America by 1929 that had increased to 4.8 million, many of which were Model Ts. This industry in turn helped to grow the glass, steel, leather and rubber industries as these were important resources used in car production, as well as a boom in petrol production to keep the cars running. By the end of the 1920s, 1 in 5 people in America owned a car, compared to 1 in 43 in the UK and 1 in 7,000 in the USSR.



The Unemployed

Innovations such as the stock market and mass production meant that money was being made without the need for extra employment. The number of unemployed people remained stable at 5% throughout the boom period. The majority of unemployed people were African-Americans who were shut out of many jobs because of the colour of their skin. The Republican government used their laissez faire ideology to do nothing to help unemployed workers or reduce their number. This level of unemployment led to a reduction in the amount of consumer spending in the USA.