SECTION 1

◀ 1920s magazine ad

▲ Will Rogers

WITNESS HISTORY AUDIO

Paying for It?

Folksy comedian Will Rogers was one of the most beloved entertainers of his day. Whether standing onstage twirling a rope or chatting on the radio, he could always be counted on to deliver good-natured, amusing comments on the American scene. In the 1920s—with the nation in the midst of a giant economic boom—Rogers turned his keen eye on Americans' passion for buying things:

"No nation in the history of the world was ever sitting as pretty. If we want anything, all we have to do is go and buy it on credit. So that leaves us without any economic problems whatsoever, except perhaps some day having to pay for them. But we are certainly not thinking of that this early."

—Will Rogers, radio commentary, 1928

A Booming Economy

Objectives

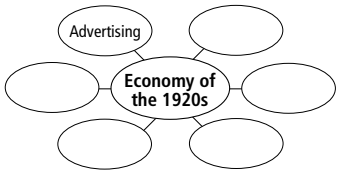
- Explain the impact of Henry Ford and the automobile.
- Analyze the consumer revolution and the bull market of the 1920s.
- Compare the different effects of the economic boom on urban and rural America.

Terms and People

Henry Ford
mass production
Model T
scientific management
assembly line
consumer revolution
installment buying
bull market
buying on margin

NoteTaking

Reading Skill: Identify Supporting Details
Note specific economic changes of the 1920s.



Why It Matters In the decade after World War I, the American economy experienced tremendous growth. Using revolutionary mass-production techniques, American workers produced more goods in less time than ever before. The boom fundamentally changed the lives of millions of people and helped create the modern consumer economy. **Section Focus Question: How did the booming economy of the 1920s lead to changes in American life?**

The Automobile Drives Prosperity

Rarely, if ever, has the nation enjoyed such an economic boom as it did in the 1920s. The recession that had followed World War I quickly ended. All signs pointed to economic growth. Stock prices rose rapidly. Factories produced more and more goods and, with wages on the rise, more and more people could afford to buy them.

Much of this explosive growth was sparked by a single business: the automobile industry. Carmaker **Henry Ford** introduced a series of methods and ideas that revolutionized production, wages, working conditions, and daily life.

Ford Pioneers Mass Production Ford did not originate the idea of **mass production,** the rapid manufacture of large numbers of identical products. It had been used, for example, to make sewing machines and typewriters. But such products involved only hundreds of parts—not the thousands that go into the production of cars. Ford brought mass production to new heights.

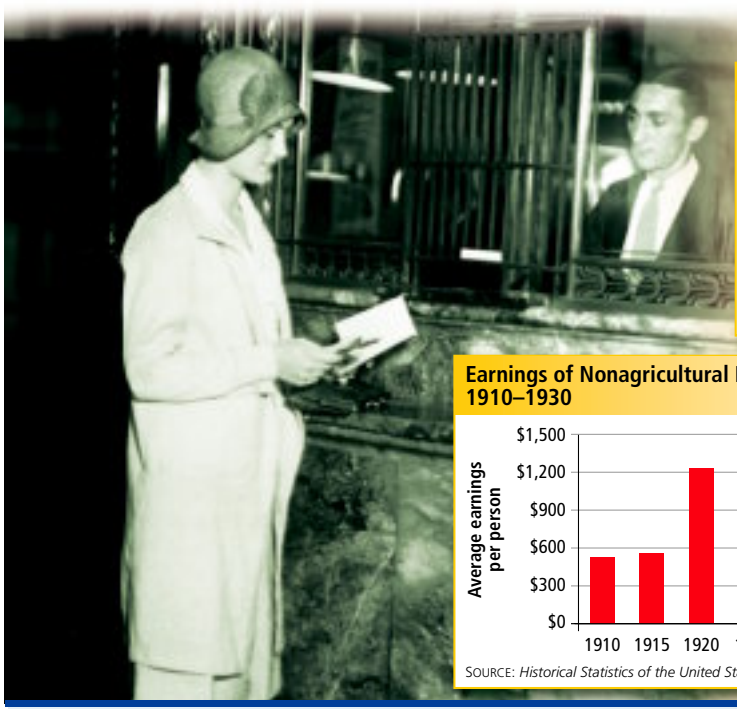
Early in the century, only wealthy city dwellers could afford cars. The automobile was often seen as a symbol of the class divisions in the country. City drivers who ventured out onto country roads frightened horses and cows, coated crops with dust, and rutted dirt roads. "To the countryman," said Woodrow Wilson in 1906, cars "are a picture of the arrogance of wealth."

Ransom Olds had introduced a less expensive car, the Oldsmobile in 1901. But it was Henry Ford who truly brought the automobile to the people. In 1908, he introduced the **Model T,** a reliable car the average American could afford. The first Model T sold for $850. Soon after, Ford opened a new plant on the Detroit River. The Detroit location gave Ford easy access to steel, glass, oil, and rubber manufactured in Pennsylvania, Ohio, Indiana, and Illinois.

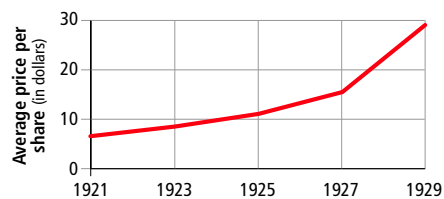
Ford hired **scientific management** experts to improve his mass-production techniques. Scientific management was a relatively new method of improving efficiency, in which experts looked at every step of a manufacturing process to find ways to reduce time, effort, and expense. Ford also studied the techniques of Chicago meatpacking houses, where beef carcasses were moved on chains past a series of meat cutters, each of whom cut off a specific part of the carcass. Ford reversed the process. He put his cars on moving **assembly lines.** At each step, a worker added something to construct the automobile. In two years, assembly line techniques reduced the time it took to manufacture a Model T—from more than 12 hours to just 90 minutes.

The assembly line allowed Ford to keep dropping the sale price. The cost of a Model T fell to $350 by 1916 and to $290 by 1927. It was slow, dull, and available only in black. But the Model T was the first car that ordinary people could afford. In 1919, only 10 percent of American families owned an automobile. By 1927, 56 percent did.

Graph Skills The economic boom of the 1920s was reflected in many aspects of the economy, from wages to industrial production to stock prices. *By how much did wages increase between 1910 and 1925? During what years did stock prices soar the most?*

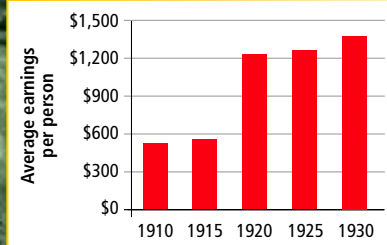


Average Price of Selected Stocks, 1921–1929



SOURCE: *Standard and Poor's*

Earnings of Nonagricultural Employees, 1910–1930



SOURCE: *Historical Statistics of the United States*

Gross Domestic Product

Year	Value of goods produced (in millions of dollars)
1921	68,355
1923	82,994
1925	87,359
1927	94,161
1929	101,444

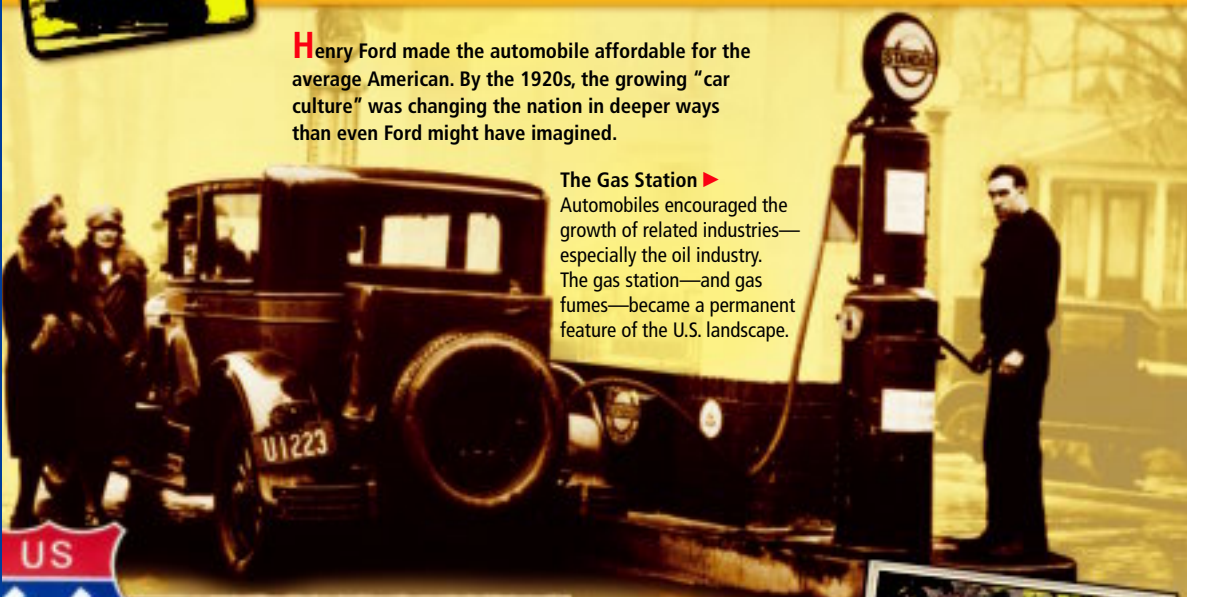
SOURCE: *National Bureau of Economic Research*

INFOGRAPHIC

◀ The automobile gave Americans new freedom to enjoy picnics, camping, and Sunday drives.

Impact of the *Automobile*

Henry Ford made the automobile affordable for the average American. By the 1920s, the growing "car culture" was changing the nation in deeper ways than even Ford might have imagined.



The Gas Station ▶
Automobiles encouraged the growth of related industries—especially the oil industry. The gas station—and gas fumes—became a permanent feature of the U.S. landscape.

◀ The Highway System
By 1925, states had built hundreds of highways, and the federal government organized them into a numbered system. One of the first federal highways was Route 66, which ran from Illinois to California.

Advertising ▶
Ads stressed what cars gave their owners—speed, status, and a new sense of freedom.

◀ Vacation Industry
Americans used their new cars and expanded leisure time to travel. Motels and motor camps sprung up all over the nation.

Connect to Your World
Which of the features of "car culture" shown here are still part of American life today?

History *Interactive*
For: More on the automobile
Web Code: nep-0712

When it came to managing the men who worked along his assembly lines, Ford also proved that he was not afraid of innovation. In 1914, he more than doubled the wages of a large number of his workers, from $2.35 to $5 a day. He also reduced their workday from 9 hours to 8 hours. In 1926, he became the first major industrialist to give his workers Saturday and Sunday off. Before Ford, the idea of a "weekend" hardly existed. Ford shrewdly realized that if workers made more money and had more leisure time, they would become potential customers for his automobiles. The combination of the Model T and the "five-dollar day, forty-hour week" made Ford not only a very rich man but also one of the shapers of the modern world.

Vocabulary Builder
innovation–(ihn uh VAY shuhn) *n.* change in the way of doing something; act of introducing such a change

The Automobile Changes America The boom in the automotive industry stimulated growth in other industries related to car manufacture or use. The steel, glass, rubber, asphalt, wood, gasoline, insurance, and road-construction industries all benefited. For example, one seventh of all steel output was used to make automobiles. The need for gasoline prompted a nationwide search for oil deposits. Oil discoveries in California, Texas, New Mexico, and Oklahoma brought workers and money to the Southwest.

Vocabulary Builder
stimulate–(STIHM yuh layt) *v.* to excite to action; to cause to grow or act

Road construction boomed, especially when the federal government introduced the system of numbered highways in 1926. The millions of cars on American roads led to the rapid appearance of thousands of service stations, diners, and motor hotels (a term later shortened to *motels*). The growth in all these industries created new and often better-paying jobs, spurring national prosperity.

The automobile caused additional economic effects. Other forms of ground transportation, such as railroads and trolleys, suffered a decline in use. With cars, people could go where they wanted, when they wanted. They did not have to travel along set tracks on set schedules.

The automobile prompted a new sense of freedom and prosperity. Never had Americans been so mobile. Entire families crowded into their cars for cross-country vacations or Sunday drives to the country. Ownership of an automobile came to symbolize participation in the American dream of success.

Finally, automobiles altered residential patterns. The ability to drive to work permitted people to live farther from their places of employment. This led to the development of suburban communities linked to cities by arteries of highways and roads. Los Angeles, one of the first cities whose growth was influenced by the automobile, developed in a sprawling, haphazard fashion. It became, according to one observer, "a series of suburbs in search of a city."

✓ **Checkpoint** **How did Henry Ford increase the production and sale of automobiles?**

A Bustling Economy

The 1920s saw what has been called a **consumer revolution,** in which a flood of new, affordable goods became available to the public. The widespread availability of electrical power supported the consumer revolution. Electric washing machines, vacuum cleaners, and irons made housekeeping easier and less time-consuming. Accessible electricity also contributed to radio and refrigerator sales.

Advertising and Credit Build a Consumer Culture The growing advertising industry also played its part. Using new "scientific" techniques and psychological research, advertisers were able to sell more products to more Americans than ever before. Magazine and newspaper ads often focused on the desires and fears of Americans more than on what people really needed.

Advertisers celebrated consumption as an end in itself, convincing people that they could be the person they wanted to be just by buying the right products. From Kleenex to Listerine, Americans bought products that years earlier they could never have imagined they needed.

Finally, new ways of buying fueled the consumer revolution. People who did not have enough ready cash could buy what they wanted on credit. **Installment buying,** in which a consumer would make a small down payment and then pay off the rest of the debt in regular monthly payments, allowed Americans to own products they might otherwise have had to save up for years in order to buy.

The Big Bull Market Makes Fortunes Consumers were not the only Americans buying and selling in a big way. During the 1920s, the stock market enjoyed a dizzying **bull market,** a period of rising stock prices. More and more Americans put their money into stocks in an effort to get rich quick. By 1929, around 4 million Americans owned stocks.

The pounding desire to strike it rich often led investors to ignore financial risks. As the market soared, people began **buying on margin**—another form of buying on credit. By purchasing stock on margin, a buyer paid as little as 10 percent of the stock price upfront to a broker. The buyer then paid the broker for the rest of the stock over a period of months. The stock served as collateral, or security, for the broker's loan. As long as the price of the stock rose, the buyer had no trouble paying off the loan and making a profit. But if the price fell, the buyer still had to pay off the loan. Buyers gambled that they would be able to sell the stock at a profit long before the loan came due.

In truth, the big bull market stood on very shaky ground. But most people ignored the dangers. By the middle of 1929, economic authorities proclaimed that America and the stock market had entered a "new era." Stock prices would continue their march upward, they said, while boom-and-bust economics would become a thing of the past.

Checkpoint **How did buying on margin allow more people to invest in the stock market?**

Urban Growth

Built by automaker Walter P. Chrysler in 1928, New York's Chrysler Building (below) was the world's tallest skyscraper—but only for a short time. *Look at the table below. Why do you think Detroit grew so fast after 1910?*

Cities, Suburbs, and Country

The economic boom did not affect all parts of the nation equally. While urban and suburban areas prospered, rural Americans faced hardships.

People Flock to Cities In the 1920s, the movement of people was toward cities. Immigrants settled in cities. Farmers left their fields for cities. The direction of the African American Great Migration was toward northern cities. Mexican Americans crossing the border relocated to southwestern cities.

As in the late nineteenth century, cities grew and changed shape. In addition, the adoption of skyscraper technology caused cities to stretch skyward. Steel-framed skyscrapers with light coverings of masonry and glass began to dominate the skylines of the nation's cities. New York's Empire State Building, finished in 1931, symbolized the power and majesty of the United States.

The Suburbs Grow Improved mass transportation and the widespread use of automobiles caused cities to expand outward. More urban workers moved to the suburbs. Western and southern cities, developed after the automobile revolution, encompassed suburban areas as well as inner cities. Suburbs mushroomed, growing much faster than inner cities.

Population of Selected U.S. Cities, 1910–1930

City	1910	1920	1930
New York	4,766,883	5,620,048	6,930,446
Chicago	2,185,283	2,701,705	3,376,478
St. Louis	687,029	772,897	821,960
Los Angeles	319,198	576,673	1,238,048
Detroit	465,766	993,078	1,568,662

SOURCE: U.S. Census Bureau

Slowly at first, but more rapidly as the century progressed, suburbs drained people and resources from the cities. Catering to middle- and upper-class residents, suburbs tended to be more conservative and Republican. Meanwhile, the inner cities at the heart of older urban areas began a slow but steady decline.

Many Americans Face Hardship In the cities and suburbs, Americans enjoyed prosperity and the fruits of growth. They participated in the consumer economy and in the joys of automobile ownership. The wealthiest urban residents—owners and managers of businesses—reaped fabulous rewards, which they often pumped back into the bull market. But there were problems looming ahead. America's wealth was poorly distributed. Industrial wages rose at a much slower rate than corporate salaries.

Worst yet, farm incomes declined during the decade. Many people living in the country did not participate in the consumer benefits and economic gains of the decade. They formed part of another America—poorer and outside the economic boom. In particular, farmers suffered from growing debt and falling farm prices. A protest song of 1928 expressed their frustration:

Primary Source

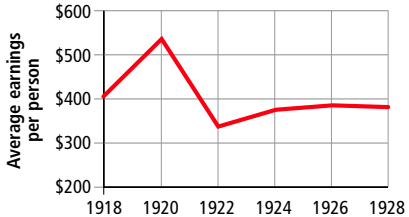
"'Leven-cent cotton, forty-cent meat,
How in the world can a poor man eat?
Mule's in the barn, no crop's laid by,
Corncrib empty and the cow's gone dry."

—Bob Miller and Emma Dermer, "Eleven Cent Cotton"

If the wealthy believed that the country had entered an age of permanent prosperity, the "other Americans" saw things differently.

Checkpoint **What impact did the development of suburbs have on American society?**

Earnings of Agricultural Employees, 1918–1928



SOURCE: *Historical Statistics of the United States*

Rural Struggles
American farmers did not share in the prosperity of the 1920s. *Compare this graph to the economic graphs at the beginning of this section and make a generalization about farm wages versus nonfarm wages in the 1920s.*

SECTION 1 Assessment

Progress Monitoring *Online*
For: Self-test with vocabulary practice
Web Code: nea-0702

Comprehension

1. **Terms and People** For each of the following, write a sentence explaining how that person or item was connected with the changing economy of the 1920s.
   - Henry Ford
   - mass production
   - assembly line
   - consumer revolution
   - installment buying
   - bull market
   - buying on margin

2. **NoteTaking Reading Skill: Identify Supporting Details** Use your concept web to answer the Section Focus Question: How did the booming economy of the 1920s lead to changes in American life?

Writing About History

3. **Summarize a Historical Interpretation** Using information from the text, write a paragraph summarizing the reasons for the historical viewpoint that Henry Ford was one of the chief makers of the modern world.

Critical Thinking

4. **Analyze Effects** How is the rise of the automobile an example of technology affecting attitudes or values?
5. **Draw Conclusions** Why do you think many advertisers began to focus on the benefits of their products rather than on the products themselves?
6. **Predict Consequences** Identify two potential signs of weakness in the economy of the 1920s, and predict what might happen if those problems are not solved.