

**CHAPTER 12** Section 3 (pages 422–427)

# The Business of America

## TERMS AND NAMES

**Calvin Coolidge** President of the U.S. (1923–1929) succeeded to presidency on death of Harding, elected in 1924

**urban sprawl** The outward expansion of cities

**installment plan** An easy way to borrow money to buy goods

## BEFORE YOU READ

In the last section, you read about Harding's presidency.

In this section, you will read about the economy of the 1920s.

## AS YOU READ

In the chart below, use the boxes on the left to take notes on the changes in business and technology in the 1920s.

Use the boxes on the right to show some of the effects of these changes.

CHANGES	EFFECT
Standard of living goes up	Pro-business attitude

## America's Industries Flourish

(pages 422–425)

### *How did the success of certain industries affect American life?*

The new president, **Calvin Coolidge** said, "The chief business of the American people is business." Both Coolidge and his Republican successor, Herbert Hoover, favored government policies that promoted business and limited government interference.

The automobile changed the American landscape. New roads were built, and new businesses sprang up such as gas stations, repair shops, public garages, motels, tourist camps and shopping centers. Automobiles ended the isolation of rural families and gave young people and women more

independence. Cars also made it possible for people to live farther from their jobs. This led to **urban sprawl**, as cities spread out in all directions.

Cities in Ohio and Michigan grew as major centers of automobile manufacturing. States that produced oil such as California and Texas also prospered.

The automobile also became a *status symbol*. Everyone wanted to have one. By the late 1920s, about 80 percent of all the cars in the world were in the United States.

The airline industry also grew. Planes carried the nation's mail. Passenger service began.

1. Name three ways the automobile changed American life.

## America's Standard of Living Soars (pages 425–426)

### *How did the American household change?*

Another major change was the spread of electricity. In the 1920s, electric power stretched beyond big cities to the *suburbs*. Still, farms lacked electricity.

Americans began to use all kinds of electrical appliances. Radios, washing machines, and vacuum cleaners became popular. These appliances made housework easier. One result was more leisure time for families. Another effect was to increase the number of women working outside the home.

More consumer goods appeared on the market. Businesses used advertising to sell these goods. Ads didn't just give information about the product. Now, they used *psychology*. They tried to use people's desire for youth, beauty, and popularity to sell products. Things that once were luxuries became necessities. Some brand names became known nationwide.

Businesspeople formed organizations to do charity work. They also formed organizations to promote business.

#### 2. How did advertising change American life?

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## A Superficial Prosperity (pages 426–427)

### *What hidden problems did the economy have?*

Most Americans had confidence in the prosperity of the 1920s. The *national income* rose from \$64 billion in 1921 to \$87 billion in 1929. Most businesses seemed to make fortunes. The stock market reached new heights. But this prosperity hid two big problems.

First, business was not as healthy as it seemed. As workers produced more goods, businesses grew. Large businesses bought up, or merged with, smaller ones. But as businesses grew, business managers made much more money than workers did. Also, mining companies, railroads, and farms were not doing well.

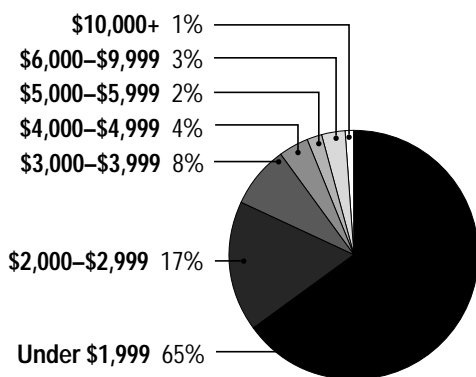
Second, *consumer debt* rose to high levels. Businesses needed to sell all the goods they were now producing. So they encouraged customers to buy on the **installment plan**. This was a form of borrowing. Customers could make low payments over a period of time. That way people could afford to buy more. Banks provided money at low *interest rates*. Advertising also pushed the idea of buying on credit. Average Americans were spending more money than they actually had.

#### 3. Describe two economic problems hidden by the business boom of the 1920s.

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Income Distribution: 1929



Source: Historical Statistics of the United States: Colonial Times to 1970.

## Skillbuilder

Use the chart to answer these questions.

#### 1. What percentage of Americans earned more than \$5000 in 1929?

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#### 2. How much money did most Americans earn in 1929?

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