

SECTION 3

The Business of America

MAIN IDEA

Consumer goods fueled the business boom of the 1920s as America's standard of living soared.

WHY IT MATTERS NOW

Business, technological, and social developments of the 1920s launched the era of modern consumerism.

Terms & Names

- Calvin Coolidge
- installment plan
- urban sprawl

One American's Story



▲ The Model A was a more luxurious car than the Model T. It was introduced at \$495. Model T's were selling for \$290.

In 1927, the last Model T Ford—number 15,077,033—rolled off the assembly line. On December 2, some 1 million New Yorkers mobbed show rooms to view the new Model A. One striking difference between the two models was that customers could order the Model A in such colors as “Arabian Sand” and “Niagara Blue”; the old Model T had come only in black. A Ford spokesman explained some additional advantages of the new automobile.

A PERSONAL VOICE

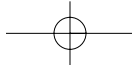
“Good-looking as that car is, its performance is better than its appearance. We don't brag about it, but it has done seventy-one miles an hour. It will ride along a railroad track without bouncing. . . . It's the smoothest thing you ever rode in.”

—a Ford salesman quoted in *Flappers, Bootleggers, “Typhoid Mary,” and the Bomb*

The automobile became the backbone of the American economy in the 1920s (and remained such until the 1970s). It profoundly altered the American landscape and American society, but it was only one of several factors in the country's business boom of the 1920s.

American Industries Flourish

The new president, **Calvin Coolidge**, fit into the pro-business spirit of the 1920s very well. It was he who said, “the chief business of the American people is business. . . . The man who builds a factory builds a temple—the man who works there worships there.” Both Coolidge and his Republican successor, Herbert Hoover, favored government policies that would keep taxes down and business profits up, and give businesses more available credit in order to expand. Their goal was to keep government interference in business to a minimum and to allow private enterprise to flourish. For most of the 1920s, this approach seemed to work. Coolidge's administration continued to place high tariffs on foreign imports,



which helped American manufacturers. Reducing income taxes meant that people had more money in their pockets. Wages were rising because of new technology and so was productivity.

THE IMPACT OF THE AUTOMOBILE The automobile literally changed the American landscape. Its most visible effect was the construction of paved roads suitable for driving in all weather. One such road was the legendary Route 66, which provided a route for people trekking west from Chicago to California. Many, however, settled in towns along the route. In addition to the changing landscape, architectural styles also changed, as new houses typically came equipped with a garage or carport and a driveway—and a smaller lawn as a result. The automobile also launched the rapid construction of gasoline stations, repair shops, public garages, motels, tourist camps, and shopping centers. The first automatic traffic signals began blinking in Detroit in the early 1920s. The Holland Tunnel, the first underwater tunnel designed specifically for motor vehicles, opened in 1927 to connect New York City and Jersey City, New Jersey. The Woodbridge Cloverleaf, the first cloverleaf intersection, was built in New Jersey in 1929. **A**

MAIN IDEA

Analyzing Effects

A What was the impact of the automobile?

The automobile liberated the isolated rural family, who could now travel to the city for shopping and entertainment. It also gave families the opportunity to vacation in new and faraway places. It allowed both women and young people to become more independent through increased mobility. It allowed workers to live

Gas for cars was cheap and plentiful. Gas stations sprung up on Route 66 charging 25¢ per gallon.



Roadside stands offering food, drink, and other items appeared in increasing numbers.

Route 66

- Commissioned on the cusp of the Depression, Route 66 symbolized the road to opportunity. Also known as “the Mother Road,” it became the subject of countless songs, films, books, and legends.
- 1916** Federal-Aid Road Act sets up highway program with the federal government paying half the cost of states’ highway construction.
- 1921** Highway construction in 11 western states begins under administration of Bureau of Public Roads.
- 1926** U.S. Highway 66, which would run 2,448 miles from Chicago to Los Angeles, California, is established.

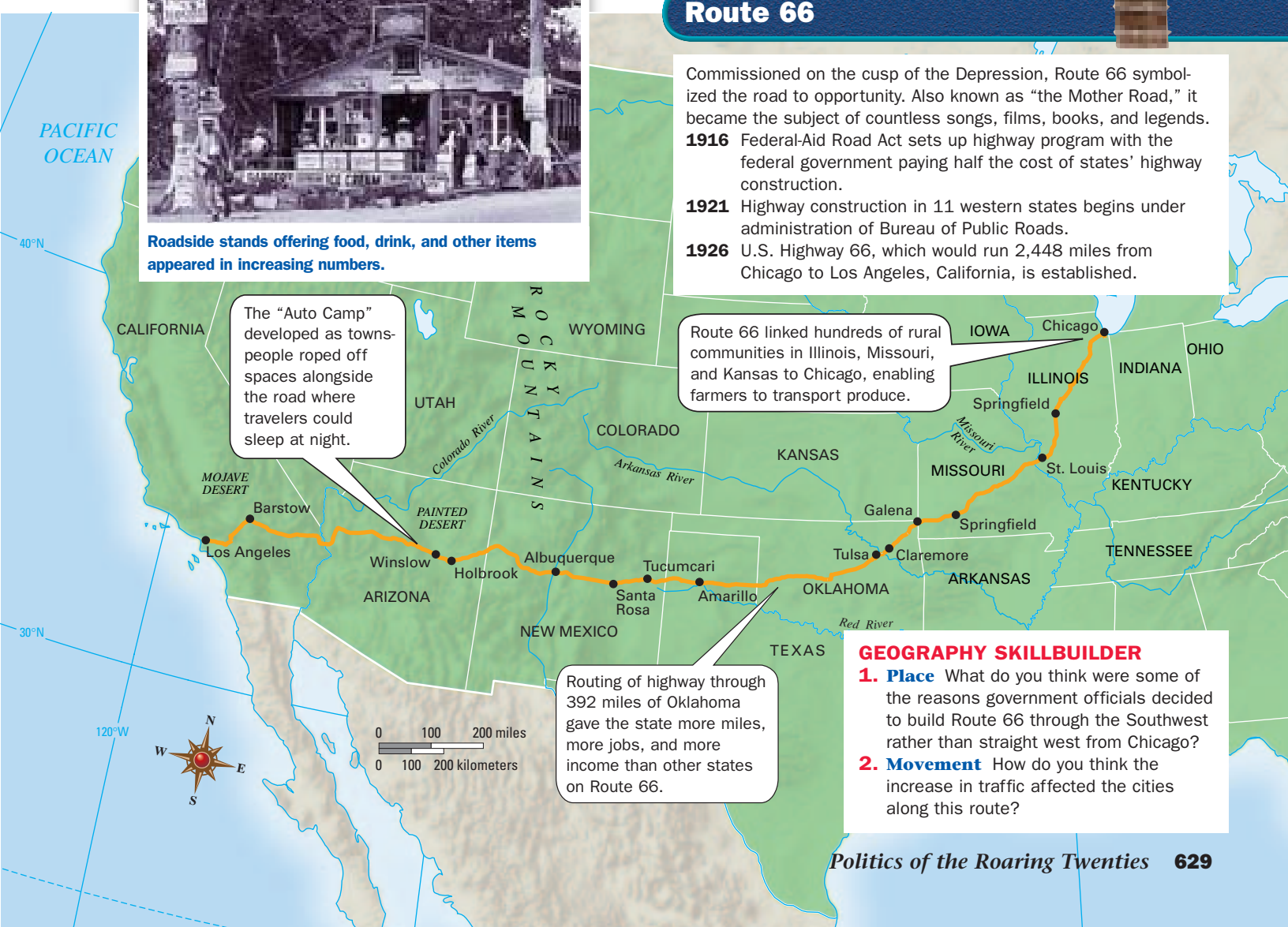
The “Auto Camp” developed as townspeople roped off spaces alongside the road where travelers could sleep at night.

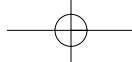
Route 66 linked hundreds of rural communities in Illinois, Missouri, and Kansas to Chicago, enabling farmers to transport produce.

Routing of highway through 392 miles of Oklahoma gave the state more miles, more jobs, and more income than other states on Route 66.

GEOGRAPHY SKILLBUILDER

- 1. Place** What do you think were some of the reasons government officials decided to build Route 66 through the Southwest rather than straight west from Chicago?
- 2. Movement** How do you think the increase in traffic affected the cities along this route?





KEY PLAYER



CALVIN COOLIDGE
1872–1933

Stepping into office in 1923, the tightlipped Vermonter was respected for his solemnity and wisdom. Coolidge supported American business and favored what he called “a constructive economy.”

Known for his strength of character, Coolidge forced the resignation of Attorney General Daugherty and other high officials who had created scandal in office.

Shortly after Coolidge was elected, his son died of blood poisoning. Coolidge later wrote, “The power and the glory of the presidency went with him.” When he decided not to seek reelection in 1928, Coolidge stumped the nation. Keeping in character, he said, “Goodby, I have had a very enjoyable time in Washington.”

miles from their jobs, resulting in **urban sprawl** as cities spread in all directions. The automobile industry also provided an economic base for such cities as Akron in Ohio, and Detroit, Dearborn, Flint, and Pontiac in Michigan. The industry drew people to such oil-producing states as California and Texas. The automobile even became a status symbol—both for individual families and to the rest of the world. In their work *Middletown*, the social scientists Robert and Helen Lynd noted one woman’s comment: “I’ll go without food before I’ll see us give up the car.”

The auto industry symbolized the success of the free enterprise system and the Coolidge era. Nowhere else in the world could people with little money own their own automobile. By the late 1920s, around 80 percent of all registered motor vehicles in the world were in the United States—about one automobile for every five people. The humorist Will Rogers remarked to Henry Ford, “It will take a hundred years to tell whether you helped us or hurt us, but you certainly didn’t leave us where you found us.” **B**

THE YOUNG AIRPLANE INDUSTRY Automobiles weren’t the only form of transportation taking off. The airplane industry began as a mail carrying service for the U.S. Post Office. Although the first flight in 1918 was a disaster, a number of successful flights soon established the airplane as a peacetime means of transportation. With the development of weather forecasting, planes began carrying radios and navigational instruments. Henry Ford made a trimotor airplane in 1926. Transatlantic flights by Charles Lindbergh and Amelia Earhart helped to promote cargo and commercial airlines. In 1927, the Lockheed Company produced a single-engine plane, the Vega. It was one of the most popular transport airplanes of the late 1920s. Founded in 1927, Pan American Airways inaugurated the first transatlantic passenger flights.

Vocabulary
status symbol: a possession believed to enhance the owner’s social standing

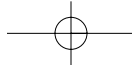
MAIN IDEA

Analyzing Effects

B How did the widespread use of the automobile affect the environment and the lives of Americans?

Flight attendants train for an early United Airlines flight. When commercial airline flights began, all flight attendants were female and white. ▶





America's Standard of Living Soars

The years from 1920 to 1929 were prosperous ones for the United States. Americans owned around 40 percent of the world's wealth, and that wealth changed the way most Americans lived. The average annual income rose more than 35 percent during the period—from \$522 to \$705. People found it easy to spend all that extra income and then some.

ELECTRICAL CONVENIENCES Gasoline powered much of the economic boom of the 1920s, but the use of electricity also transformed the nation. American factories used electricity to run their machines. Also, the development of an alternating electrical current made it possible to distribute electric power efficiently over longer distances. Now electricity was no longer restricted to central cities but could be transmitted to suburbs. The number of electrified households grew, although most farms still lacked power.

By the end of the 1920s, more and more homes had electric irons, while well-to-do families used electric refrigerators, cooking ranges, and toasters. Eunice Fuller Barnard listed prices for electrical appliances in a 1928 magazine article:



Goods and Prices, 1900 and 1928			
1900		1928	
wringer and washboard	\$ 5	washing machine	\$150
brushes and brooms	\$ 5	vacuum cleaner	\$ 50
sewing machine (mechanical)	\$25	sewing machine (electric)	\$ 60

▲ American consumers in the 1920s could purchase the latest household electrical appliances, such as a refrigerator, for as little as a dollar down and a dollar a week.

MAIN IDEA

Forming Generalizations

C How did the use of electricity affect Americans' lifestyle?

These electrical appliances made the lives of housewives easier, freed them for other community and leisure activities, and coincided with a growing trend of women working outside the home. **C**

THE DAWN OF MODERN ADVERTISING With new goods flooding the market, advertising agencies no longer just informed the public about products and prices. Now they hired psychologists to study how to appeal to people's desire for youthfulness, beauty, health, and wealth. Results were impressive. The slogan "Say it with flowers" doubled florists' business between 1912 and 1924. "Reach for a Lucky instead of a sweet" lured weight-conscious Americans to cigarettes and away from candy. Brand names became familiar from coast to coast, and luxury items now seemed like necessities.

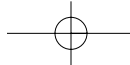
One of those "necessities" was mouthwash. A 1923 Listerine advertisement aimed to convince readers that without Listerine a person ran the risk of having halitosis—bad breath—and that the results could be a disaster.

A PERSONAL VOICE

"She was a beautiful girl and talented too. She had the advantages of education and better clothes than most girls of her set. She possessed that culture and poise that travel brings. Yet in the one pursuit that stands foremost in the mind of every girl and woman—marriage—she was a failure."

—Listerine Advertisement

Businesspeople applied the power of advertising to other areas of American life. Across the land, they met for lunch with fellow members of such service organizations as Rotary, Kiwanis, and the Lions. As one observer noted, they sang



**ANOTHER
PERSPECTIVE**

THE NEEDY

While income rose for many Americans in the 1920s, it did not rise for everyone. Industries such as textile and steel manufacturing made very little profit. Mining and farming actually suffered losses. Farmers were deeply in debt because they had borrowed money to buy land and machinery so that they could produce more crops during World War I. When European agriculture bounced back after the war, the demand for U.S. crops fell, as did prices. Before long there were U.S. farm surpluses.

Many American farmers could not make their loan and mortgage payments. They lost their purchasing power, their equipment, and their farms. As one South Dakota state senator remarked, "There's a saying: 'Depressions are farm led and farm fed.'"

songs, raised money for charities, and boosted the image of the businessman "as a builder, a doer of great things, yes, and a dreamer whose imagination was ever seeking out new ways of serving humanity." Many Americans idolized business during these prosperous times.

A Superficial Prosperity

During the 1920s, most Americans believed prosperity would go on forever—the average factory worker was producing 50 percent more at the end of the decade than at its start. Hadn't national income grown from \$64 billion in 1921 to \$87 billion in 1929? Weren't most major corporations making fortunes? Wasn't the stock market reaching new heights?

PRODUCING GREAT QUANTITIES OF GOODS As productivity increased, businesses expanded. There were numerous mergers of companies that manufactured automobiles, steel, and electrical equipment, as well as mergers of companies that provided public utilities. Chain stores sprouted, selling groceries, drugs, shoes, and clothes. Five-and-dime stores like Woolworth's also spread rapidly. Congress passed a law that allowed national banks to branch within cities of their main office. But as the number of businesses grew, so did the income gap between workers and managers. There were a number of other clouds in the blue sky of prosperity. The iron and railroad industries, among others, weren't very prosperous, and farms nation-

Background
See *productivity* on page R44 in the Economics Handbook.

wide suffered losses—with new machinery, they were producing more food than was needed and this drove down food prices.

BUYING GOODS ON CREDIT In addition to advertising, industry provided another solution to the problem of luring consumers to purchase the mountain of goods produced each year: easy credit, or "a dollar down and a dollar forever." The **installment plan**, as it was then called, enabled people to buy goods over

Analyzing Political Cartoons

"YES, SIR, HE'S MY BABY"

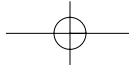
This cartoon depicts Calvin Coolidge playing a saxophone labeled "Praise" while a woman representing "Big Business" dances up a storm.

SKILLBUILDER Analyzing Political Cartoons

1. The dancing woman is a 1920s "flapper"—independent, confident, and assertive. In what ways was big business in the 1920s comparable to the flappers?
2. What do you think the cartoonist suggests about Coolidge's relationship with big business?

 **SEE SKILLBUILDER HANDBOOK, PAGE R24.**





MAIN IDEA

Analyzing Issues

D What were the main advantage and disadvantage of buying on credit?

an extended period, without having to put down much money at the time of purchase. Banks provided the money at low interest rates. Advertisers pushed the “installment plan” idea with such slogans as “You furnish the girl, we’ll furnish the home” and “Enjoy while you pay.”

Some economists and business owners worried that installment buying might be getting out of hand and that it was really a sign of fundamental weaknesses of a superficial economic prosperity. One business owner even wrote to President Coolidge and related a conversation he had overheard on a train. **D**

A PERSONAL VOICE

- “Have you an automobile yet?”
- “No, I talked it over with John and he felt we could not afford one.”
- “Mr. Budge who lives in your town has one and they are not as well off as you are.”
- “Yes, I know. Their second installment came due, and they had no money to pay it.”
- “What did they do? Lose the car?”
- “No, they got the money and paid the installment.”
- “How did they get the money?”
- “They sold the cook-stove.”
- “How could they get along without a cook-stove?”
- “They didn’t. They bought another on the installment plan.”

—a business owner quoted *In the Time of Silent Cal*

MAIN IDEA

Predicting Effects

E How do you think the changes in spending will affect the economy?

Still, most Americans focused their attention on the present, with little concern for the future. What could possibly go wrong with the nation’s economy? The decade of the 1920s had brought about many technological and economic changes. And yet the Coolidge era was built on paradox—the president stood for economy and a frugal way of life, but he was favored by a public who had thrown all care to the wind. Life definitely seemed easier and more enjoyable for hundreds of thousands of Americans. From the look of things, there was little warning of what was to come. **E**

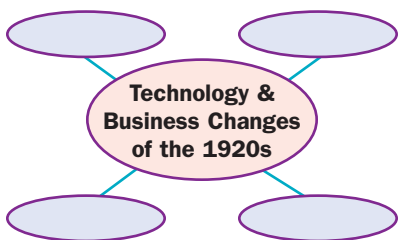
ASSESSMENT

- 1. TERMS & NAMES** For each term or name, write a sentence explaining its significance.
- Calvin Coolidge
 - urban sprawl
 - installment plan

MAIN IDEA

2. TAKING NOTES

Re-create the web below on your paper and fill it in with events that illustrate the central idea.



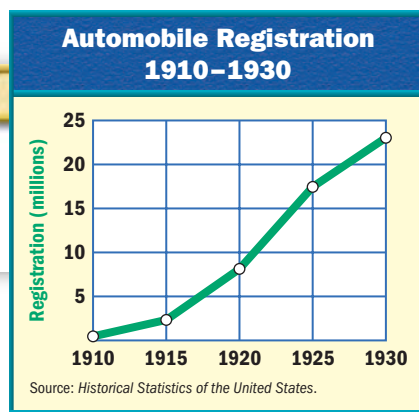
Choose one event from the web and explain its significance in the 1920s.

CRITICAL THINKING

3. EVALUATING

Do you agree with President Coolidge’s statement “The man who builds a factory builds a temple—the man who works there worships there”? Explain your answer. **Think About:**

- the goals of business and of religion
- the American idolization of business
- the difference between workers and management



4. INTERPRETING GRAPHS

What trend does the graph show between 1920 and 1930? What were some of the reasons for this trend?