

The Roaring Twenties

Lesson 1

The Business of America

Key Terms and People

Warren G. Harding 29th president of the United States

Charles Evans Hughes Secretary of state under Harding

Fordney-McCumber Tariff High tax on imports adopted in 1922

Ohio gang Harding's friends and advisors

Teapot Dome scandal Scandal surrounding Albert Fall

Albert B. Fall Secretary of the interior under Harding

Calvin Coolidge 30th president of the United States; succeeded to presidency on death of Harding; elected in 1924

urban sprawl The outward expansion of cities

consumerism The acquisition of goods in ever-greater amounts

installment plan An easy way to borrow money to buy goods

Before You Read

In the last lesson you read about Wilson's plan for peace. In this lesson you will read about the 1920s business boom and its effects.

As You Read

Complete a chart of events and trends of the era, and compare their strengths and weaknesses.

STRUGGLES FOR PEACE

How did Harding handle foreign affairs?

In 1921 **Warren G. Harding** and Secretary of State **Charles Evans Hughes** urged world powers to agree not to build warships for ten years and for major naval powers to scrap many of their existing warships. They agreed to disarm weapons.

Americans wanted to stay out of world affairs, but France and Britain owed World War I debts. Their economies were too weak to repay the loans. Congress passed the **Fordney-**

McCumber Tariff in 1922, which protected American business from foreign competition. The tariff made it impossible for Britain and France to sell their goods in the United States. As a result, France and Britain pressured Germany to pay its war reparations. Germany's economy was too weak, so it could not pay. To avoid another war, banker Charles G. Dawes came up with the Dawes Plan, in which the United States loaned money to Germany to pay back Britain and France. Then Britain and France paid back the United States with its own money.

Lesson 1, *continued*

1. How did the Fordney-McCumber Tariff affect other countries?

HARDING’S DOMESTIC POLICIES AND PROBLEMS

How did scandal hurt Harding’s administration?

Most of Harding’s problems were caused by his cabinet appointments. Charles Evans Hughes, Herbert Hoover, and Andrew Mellon were excellent choices who did much for the country.

Others lacked ability and honesty. Some were part of the **Ohio gang**, the president’s poker-playing buddies. One of the worst cases of corruption was the **Teapot Dome scandal**. It involved government-owned land, which held large reserves of oil. **Albert B. Fall** secretly leased the land to two oil companies and was later found guilty of bribery. Harding’s presidency was tarnished.

Harding died suddenly in 1923, and Calvin Coolidge became president. He was then elected president in 1924.

2. What does the Teapot Dome scandal tell about President Harding?

AMERICAN INDUSTRIES FLOURISH

How did the success of the automobile industry affect America?

The new president, **Calvin Coolidge**, favored policies that promoted business and limited government interference.

Henry Ford and the Model T had a tremendous impact on the country. New roads were built and new businesses

came about. Automobiles ended the isolation of rural families. Cars made it possible for people to live farther from their jobs, which led to **urban sprawl**, as cities spread out in all directions. Cities in Ohio and Michigan grew as major centers of car manufacturing. States that produced oil, such as California and Texas, also prospered.

The automobile became a status symbol. Everyone wanted one. By the late 1920s, around 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, and passenger service began.

3. Name three ways the automobile changed American life.

AMERICA’S STANDARD OF LIVING SOARS

How did the American household change?

The 1920s were prosperous and people spent extra income. **Consumerism**, or acquiring goods, helped the economy. Electricity also changed the country. Homes had appliances of all kinds. They made work easier and led to more women working outside the home.

Advertising tried to appeal to people’s wish to be young, beautiful, and wealthy by using psychology. Brand names became known nationwide.

4. How did advertising change American life?

Lesson 1, *continued*

A SUPERFICIAL PROSPERITY

What hidden problems did the economy have?

Most Americans had confidence in the 1920s prosperity. Most businesses seemed to make fortunes. The stock market reached new heights. But this prosperity hid 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, managers made much more money than workers did. Also, mining companies, railroads, and farms were doing poorly.

Second, consumer debt rose.

Businesses needed to sell all the goods they were now producing. So they encouraged buying on the **installment plan**, a form of borrowing. Customers could make low payments over a period of time so they 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.

5. Describe two economic problems hidden by the 1920s business boom.

For each event or trend, identify strengths and weaknesses. Then in the bottom section of the chart, list three factors that were potential problems for the American economy.

Event/Trend	Strengths	Weaknesses
1. Harding cabinet		
2. automobile		
3. modern advertising		
4. installment plan		
Indicators of Future Economic Problems		
5.	6.	7.