# Chapter 11 Section 2

A Business Boom



### Consumer Economy

- One that **relies on large amounts of buying** by consumers (Individuals who use products).
- Developed in America in the 1920's.



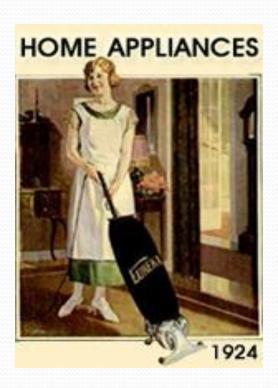
## **Buying on Credit**

- Instead of paying the full price at once, people **stretched out payments** using installment plans (even though you had to pay 11-14% interest).
- Bought stuff that you usually wouldn't buy.



## What People Bought

- Furniture
- Cars
- Household Appliances



## General Electric (GE)

- Offered new and improved products such as:
- Toasters.
- Ovens.
- Sewing Machines.
- Coffee Pots.
- Irons.
- Vacuum Cleaners.



## Demand for Electricity

- It quadrupled in the 1920's because of the **need to power all the new appliances**. (Homes with electric lights from 16-63% between 1913 and 1927.)
- Mostly in cities still very few farms had electric power.



#### The Automobile

- Invented in Springfield MA in 1892.
- Became available to the mass market in the 1920's.



## The "Horseless Carriage"

- Henry Ford developed the Model T automobile.
- Mass produced cars the average person could afford – 30,000 sold in 1908 (1 every 24 seconds)
- Built over half of all the cars in the world. (17 Million)



### **Assembly Line**

• Each person does one specialized task in the construction of the final product. (One installed windshields, tires, welds parts, applies paint, etc.)

• More efficient than one worker building an entire product because each worker did not have to master 100's

of tasks to build a car.



### **Keeping Costs Down**

- Ford owned all the related businesses (vertical consolidation) needed to build a car. (Steel mills, coal mines, rubber plantations for tires, his own glassworks, etc)
- Allowed him to **make cars cheaper**. (\$490 each in 1914 half of what it cost in 1910)



## General Motors (GM)

- Ford's competition
- Lost customers to GM when they introduced the lowpriced Chevrolet which **came in several colors** (Ford famously said customers "could get their Model T in any color they like as long as it is black")



#### **New Businesses**

- Many related businesses arose to serve automobile travel
- Garages, car dealerships, motels, campgrounds, gas stations, restaurants (4 mill. jobs in car related industries)





### **Booming Business**

- Automobile, steel, oil, and electrical industries
- Publishing, **motion picture**, and machine-making industries also began to emerge in the 1920's



#### Route 66

Highway connecting urban and rural communities
between Chicago and LA began to be built in mid-1920's



