

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.

Your Complete Breakfast prepared on one Appliance!



\$11.85

ARMSTRONG
Perc-o-toaster

THE ONLY APPLIANCE OF ITS KIND - THERE IS NOTHING ELSE LIKE IT

Clumby

Armstrong Electric and Manufacturing Corporation
Bangor, Mich. U.S.A.

Wholesaler of the largest department stores, hardware stores, electric supply and home electric and hardware stores.

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 low-priced 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

