Name ______________________ Class __________ Date ______

CHAPTER 7 SECTION 1

Section Summary

A BOOMING ECONOMY

During the 1920s, revolutionary **mass-production** techniques enabled American workers to produce more goods in less time. Because of this, the economy boomed. The automobile industry played a major role in the boom. Carmaker **Henry Ford** introduced new methods and ideas that changed the way manufactured goods were made. Ford also hired **scientific management** experts to improve his **assembly-line** mass production of automobiles. In two years, the time it took to build an automobile dropped from more than 12 hours to just 90 minutes. This made the **Model T** affordable for most Americans, and automobile ownership skyrocketed.

Ford also used innovation in managing his employees. In 1914, he raised wages from $2.35 to $5 a day. He cut the workday from 9 hours to 8 hours and gave workers Saturday and Sunday off.

Automobile production stimulated many other industries, such as steel, glass, rubber, asphalt, wood, gasoline, insurance, and road construction. The growth of these industries led to new, better-paying jobs. This also helped spur national prosperity. A flood of new, affordable goods became available to the public, creating a **consumer revolution.** At the same time, a new kind of credit called **installment buying** enabled consumers to buy goods they otherwise could not have afforded. Buyers made a small down payment on a product and paid the rest in monthly installments.

Americans were also buying stock on credit. As stock prices soared in a **bull market,** people began **buying on margin,** paying as little as 10 percent of the stock price upfront to a broker. If the price of the stock rose, the buyer could pay off the broker and still made a profit. If the price fell, the buyer still owed the broker the full price of the stock.

The economic boom was felt more in cities, where jobs were plentiful, than in rural areas. As cities grew, people moved out to suburbs and drove their new automobiles into the city to work. However, America's wealth was unevenly distributed. Farmers, in particular, suffered under growing debt, while at the same time crop prices were falling. For farmers, and many others, it was not a decade of prosperity.

READING CHECK

What industries were helped by the increase in automobile ownership?

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VOCABULARY STRATEGY

What does the word *innovation* mean in the underlined sentence? Look for context clues in the surrounding words, phrases, and sentences. Circle any words or phrases in the paragraph that help you figure out what *innovation* means.

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READING SKILL

Identify Supporting Details Look at your concept web. Select one supporting detail from the web and write a sentence explaining this detail.

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Review Questions

1. How did mass production influence the economy?

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2. What was installment buying?

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