

March



US Economy 1919 - 29:
Chapter 3: Cycle of Prosperity



Learning Gain - to be able to explain the economic boom of the 1920s by using the "cycle of prosperity".

Learning Steps:



- Investigate what happened to the US economy during the First World War and immediately after.
- Explore the Republican policies to help the economy boom.
- Examine the factors which created the cycle of prosperity
- and analyse how they created an economic boom.



"America First"



Briefly explain what Warren Harding meant when he said "America First". (2)



The Economy 1919: "A blip of a dip"

The US was in turmoil in 1919.

The huge number of returning service men could not find work. This led to social unrest and a large number of riots across America.



Government orders for war time goods stopped, forcing companies to lay off workers. Other companies simply went bankrupt.



Prices rose making it hard for workers to make ends meet.

This all led to a short lived economic recession which lasted for about two years.

★ Briefly give reasons for the shortlived economic recession in the years 1919-1921. (6)

Point

Amplification

Isolationism in Action:



In 1922 Congress passed the "FORDNEY-McCUMBER tariff (tax). This was placed on all foriegn made goods entering the USA (imports).



This made US made goods cheaper.

This helped to create conditions in the USA in the 1920s which created an economic boom.

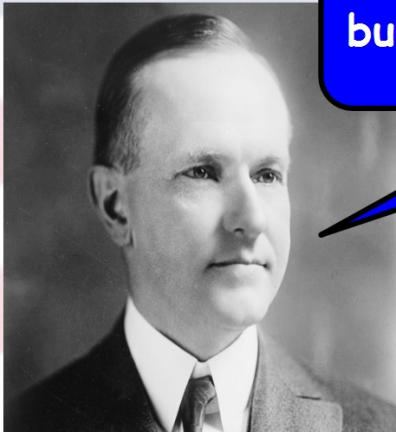




However this also led to foreign countries retaliating making US exports more expensive.

This was offset by rising consumer demand within the USA.

Laissez Faire



"The business of America is business"

President Coolidge

Republican governments in the 1920s followed an economic policy known as laissez faire - "leave alone".

This meant that they did not impose government regulation on business.

They also lowered taxes.



How would this help?

Lower taxes gave more money to people to spend - which they did on consumer goods

American consumer goods, which were cheaper because of the tariffs.

Companies invested their extra money in modernising and building more factories.

The GDP of the USA in 1922 was \$70 billion. By 1929 it had risen to \$100 billion.



GDP - Gross Domestic Product
the total amount of money a country produces.





The class needs to split into two groups.

Main



Around your half of the room are 8 statements which together created the "cycle of prosperity" which fueled the economic boom of the 1920s.

Your task is to try and show using the provided string how the factors linked together.



All factors must be joined by string, some can be joined more than once.

Be prepared to explain to the class as a whole the thinking behind your work - choose a...



Let's Review



So reporters share your thinking with us all.

The cycle can be summarised...

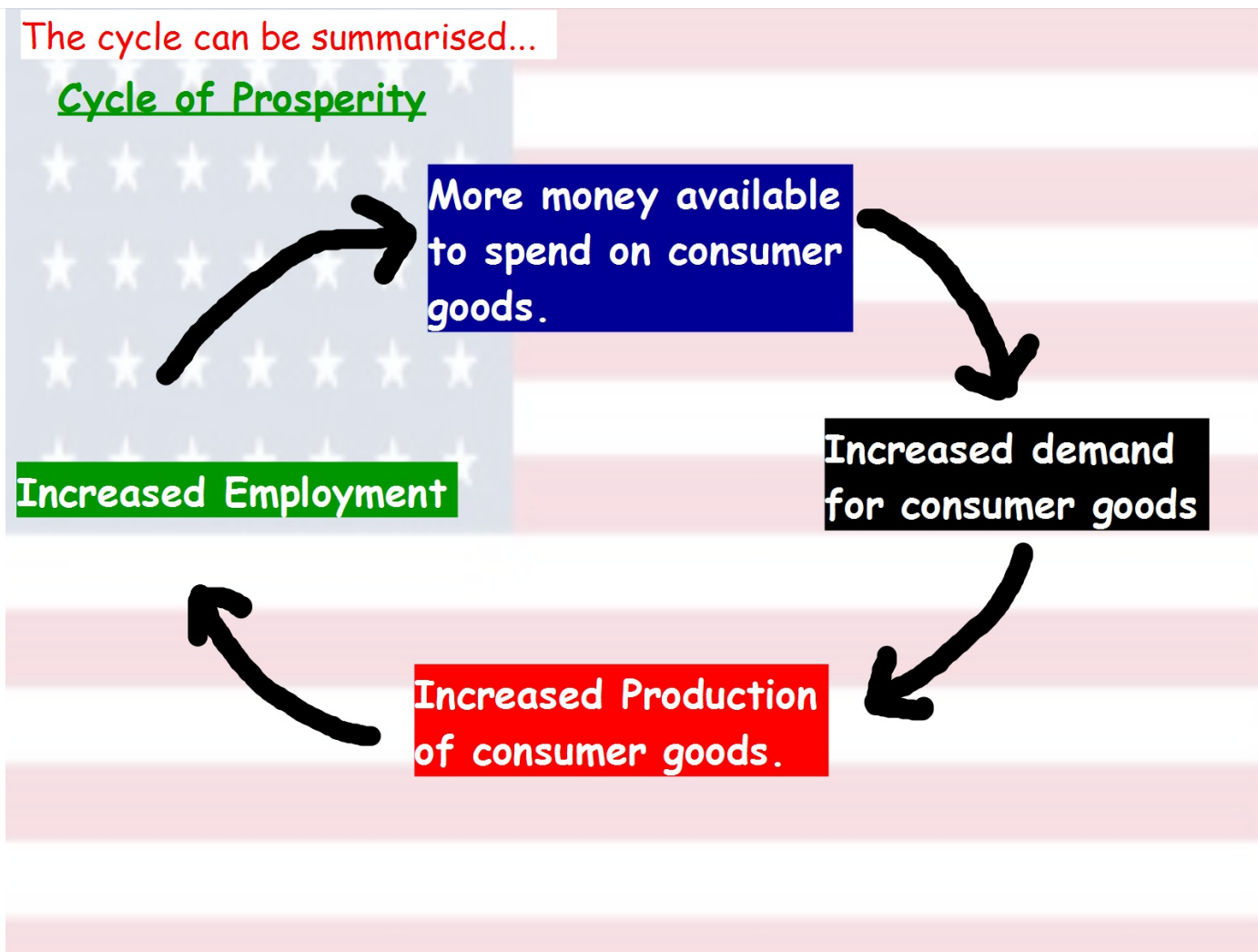
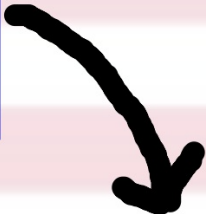
Cycle of Prosperity

More money available to spend on consumer goods.

Increased demand for consumer goods

Increased Production of consumer goods.






Increased Employment



Review your SOLO progress sheet can you evidence any new progress.

Plenary



Level of Understanding		Now	After SOLO
	I have no idea about the cycle of prosperity.		
	I can identify one reason for the economic boom which occurred in the 1920s.		
	I describe several causes of the economic boom in the USA in the 1920s.		
	I can explain how a range of factors such as isolationism, laissez faire, tax cuts, mass production, advertising and consumer confidence created a cycle of prosperity in the USA in the 1920s.		
	I can apply my understanding of the cycle of prosperity to the current world economic situation and also predict what is likely to happen to the USA economy in the decades after the 20s.		

Did the SOLO activities help you strengthen your knowledge and understanding?

Do you think the activities allowed you to progress your understanding?

