

1 The Business of America

MAIN IDEA

The government supported business and kept a hands-off policy in other matters.

WHY IT MATTERS NOW

How involved the government should be in the economy remains an issue today.

TERMS & NAMES

Warren G. Harding
Teapot Dome Scandal
Calvin Coolidge
laissez faire
isolationist
Kellogg-Briand Pact
assembly line
installment buying

ONE AMERICAN'S STORY

Warren G. Harding was a pleasant man of whom it was said he “looked like a president.” He was happiest relaxing or playing cards with his closest friends. But urged on by his wealthy and ambitious wife, Florence Kling Harding, he rose from small-town newspaper publisher, to U.S. senator from Ohio, to Republican presidential candidate.

The advice from Republican Party leaders in 1920 was “Keep Warren at home. Don’t let him make any speeches.” So Harding spent most of the 1920 election race campaigning from his front porch in Marion, Ohio. But Harding was what the voters wanted. He promised them prosperity at home and peace abroad, and they elected him president. Mrs. Harding supposedly said, “Well, Warren Harding, I have got you the Presidency; what are you going to do with it?”

In this section, you will read about Presidents Warren G. Harding and Calvin Coolidge, the booming economy of the Roaring Twenties, and the new technologies that helped businesses to grow.



Warren G. Harding and his wife, Florence Kling Harding, at their home in Marion, Ohio.

Harding and the “Return to Normalcy”

After some 20 years of reform and war, Americans were ready for the “normalcy” promised by Harding in the election and at his inauguration.

A VOICE FROM THE PAST

Our supreme task is the resumption of our onward, normal way. Reconstruction, readjustment, restoration all these must follow. I would like to hasten them.

Warren G. Harding, Inaugural Address, March 4, 1921

As president, Harding wanted to lift the burden of taxes and regulations from the shoulders of Americans. To do this, he proposed lower taxes and “less government in business and more business in government.” He also sought higher tariffs on foreign goods to help American companies.

Harding chose a pro-business cabinet. The secretary of the treasury was Andrew W. Mellon, one of the wealthiest men in the United States.

STRANGE but True

PRESIDENT SWORN IN BY FATHER

On August 2, 1923, Vice-President Calvin Coolidge went to bed early at his family home in Plymouth Notch, Vermont. During the night, Coolidge's father received news by telegram that Harding had died. He then woke his son. The U.S. attorney general urged Coolidge to take the oath of office as soon as possible. At 2:47 A.M. on August 3, 1923, John Coolidge, a justice of the peace, administered the oath to his son.



Mellon persuaded Congress to lower taxes and balance the budget. Herbert Hoover, an engineer who organized aid to Europe in World War I, was secretary of commerce. He worked to cut federal government waste.

While some of Harding's cabinet choices, like Mellon and Hoover, were excellent, a number were unqualified, and even corrupt. These men had been Harding's friends back in Ohio and were known as the "Ohio Gang." They used their government positions to make money illegally. Their actions helped to wreck the Harding presidency. The worst scandal involved Secretary of the Interior Albert Fall. It was called the **Teapot Dome Scandal**. Fall took bribes and made illegal deals with oil executives to drill on oil-rich government land in Teapot Dome, Wyoming.

Rumors of corruption in the Harding administration began to be heard in 1923. Harding, who was politically and personally honest, was alarmed. He had once said, "I knew that this job would be too much for me." Tired and depressed, Harding went on a speaking tour in the summer of 1923. It was then that he learned the full extent of the corruption. He died suddenly while on the trip, on August 2, 1923. The American people mourned his death, but they were shocked when the scandals became public.

ReadingHistory

A. Drawing Conclusions

How did members of the Ohio Gang take advantage of their friendship with Harding?

Coolidge Takes Over

Vice-President **Calvin Coolidge** became president when Harding died. He moved quickly to try to clean up the scandals. His efforts limited the political damage to the Republican Party, and Coolidge was elected president in his own right in 1924. He defeated Democrat John W. Davis and Robert M. La Follette, the Progressive Party nominee.

Coolidge and those who voted for him felt that prosperity would be the reward of those who worked hard. As a friend of business, Coolidge agreed with the economic theory of **laissez faire**. It stated that business, if left unregulated by the government, would act in a way that would benefit the nation. In 1925, Coolidge stated his belief that "the chief business of the American people is business." He said that Americans were concerned with "prospering in the world." Under the Coolidge administration, business prospered and so did many Americans.

*"The chief business
of the American
people is business."*

Calvin Coolidge

Coolidge also believed that it was not the government's job to help people with social and economic problems. Farmers were one group that Coolidge refused to help. Because new machinery had been introduced, farmers were producing more food than the nation needed. So food prices were dropping.

Vocabulary

laissez faire: to
allow to do
(French)

Congress passed a bill that required the government to buy the extra food. This would have raised prices. But Coolidge vetoed the bill.

Like Harding, Coolidge was an **isolationist**. Both believed that the United States should stay out of other nations' affairs except in matters of self-defense. Both supported efforts to avoid war.

Coolidge's major peace effort was the **Kellogg-Briand Pact** of 1928. This pact, or treaty, was signed by 15 nations who pledged not to make war against one another except in self-defense. Most Americans supported the treaty. They hoped that if war were outlawed, it would disappear. Then they could concentrate on their own lives.

Technology Changes American Life

The economy was booming in the 1920s. Both Harding and Coolidge kept government regulation to a minimum, and business flourished. Part of the "roar" in the Roaring Twenties was the growth in the nation's wealth. The average annual income per person rose more than 35 percent during the period—from \$522 to \$716. This increase in income gave Americans more money to buy goods and to spend on leisure activities.

Automobiles had the greatest impact on life during the 1920s. Henry Ford, who built his first successful automobile in 1896, was determined to make a car that most people could afford. At the Ford Motor Company in Detroit, his dream came true with a car called the Model T. In 1920, Ford produced more than a million automobiles, at a rate of one per minute. Each car cost the consumer \$335.

To speed up production and lower costs and prices, Ford used an **assembly line**. In an assembly line, the product moves along a conveyor belt across the factory. Workers at various stations add parts as the belt moves past them. By the mid-1920s, a Model T came off a Ford assembly line every ten seconds.

ReadingHistory

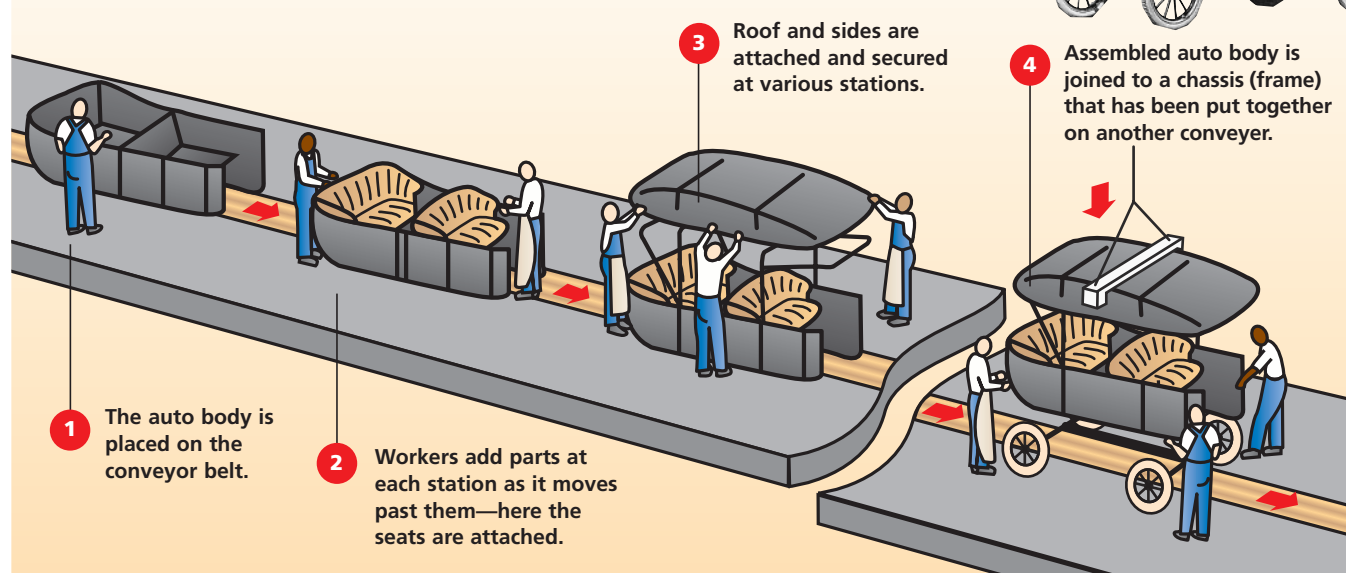
B. Recognizing

Effects What effect did the assembly line have on the price of cars?

1923 Model T Ford



How an Automobile Assembly Line Works



OIL HEAT FOR small homes



\$50

DOWN—balance
on liberal terms



WILLIAMS
DISOMATIC
HEATING

Credit allowed consumers to buy the latest products—\$50 down and small monthly payments bought this new oil heater.

Other advances in technology improved life. New machines turned out products faster and cheaper. Once-costly items were now available to many consumers. Some consumers used credit and paid for their purchases through **installment buying**. This allowed repaying the amount borrowed in small monthly payments. National advertising also got its start at this time, as a way of helping to promote new products.

Cheap fuel powered the new prosperity. Petroleum and electricity became widely available. These power sources made possible new inventions and advances in technology that made life easier, such as electric vacuum cleaners, washers, sewing machines, toasters, and fans. However, it was mostly only the white middle class that could afford these new products.

ReadingHistory

C. Summarizing

How did advances in technology change the lives of Americans?

The Air Age Begins

The 1920s also marked the beginning of the air age. After World War I, many former military pilots bought old war planes and worked as crop-dusters, stunt fliers, and flight instructors. In 1918, the Post Office Department began air mail service. Airplanes had found new uses.

Transatlantic flights by Charles A. Lindbergh in 1927 and Amelia Earhart in 1928 and 1932 helped to promote the idea of commercial air transportation. Pan American Airways, founded in 1927, became the nation's first passenger airline. By the end of the decade, its operations were drawing distant cities closer together both in North and South America.

In the next section, you will read about more changes in life in the United States and the conflicts these changes caused.

Section 1 Assessment

1. Terms & Names

Explain the significance of:

- Warren G. Harding
- Teapot Dome Scandal
- Calvin Coolidge
- laissez faire
- isolationist
- Kellogg-Briand Pact
- assembly line
- installment buying

2. Taking Notes

Use a chart like the one below to review details about the people in this section.

People	Details
Warren G. Harding	
Calvin Coolidge	
Henry Ford	

3. Main Ideas

- What were Harding's and Coolidge's policies toward business?
- How did corruption affect the Harding administration?
- How did new technology help business to grow during the 1920s?

4. Critical Thinking

Drawing Conclusions

Which developments in the 1920s added to prosperity?

THINK ABOUT

- government's role in the economy
- advances made in technology

ACTIVITY OPTIONS

TECHNOLOGY

ART

Research an aspect of the American automobile industry. Either draw a **diagram** of how a car works or design an **advertisement** for an automobile.