

In the 1920s, the United States promoted world peace. A 1921 conference in Washington produced a historic agreement among five major naval powers to dismantle some of their naval ships. For the first time, nations had agreed to reduce their weapons. In 1928, virtually all the world powers signed the Kellogg-Briand Pact. In doing so, each nation renounced war.

However, new conflicts arose. The U.S. wanted Britain and France to pay their war debts. This was difficult, since Congress had enacted a high tariff that made it impossible for them to sell their goods to the United States. The two countries pressured Germany to meet its payments for reparations, but Germany's economy was destroyed. A series of U.S. loans to Germany left Britain and France angry.

On the home front, President Harding's cabinet choices were just as burdensome. While some of his Cabinet appointments were distinguished, a number were soon found to be engaged in bribery and corruption. The biggest scandals involved tracts of public land called Teapot Dome and Elk Hills. The lands held oil, and Secretary of the Interior Albert Fall secretly leased the land to two oil companies. He received money and property in return.

Amidst rumors of corruption in his administration, Harding died. Calvin Coolidge became president.

## ● The Business of America

*MAIN IDEA Consumer goods fueled the business boom of the 1920s as America's standard of living soared.*

American business was transforming American society, and the automobile led the way. America became a car culture. By the late 1920s, about 80 percent of all motor vehicles in the world were in the United States. States and cities built an elaborate network of new roads and highways. As cars made it possible for workers to live farther from their homes, cities grew larger. Cities in Ohio and especially Michigan grew as major centers of automobile manufacturing.

The airplane industry grew as well. Planes carried the nation's mail, and passenger service was introduced.

Another major change was the spread of electricity. Whereas electricity had been found only in central cities before, it now stretched to the suburbs although farms still lacked electric power. Electrical appliances—radios, washing machines, and vacuum cleaners among them—began appearing in homes across America.

To convince people to buy these new appliances, businesses adopted new methods of advertising. No longer content only to give information about products, they now used ads to sell an image. Widespread advertising meant that certain brand names became nationally known. A new form of mass entertainment—radio—provided advertisers a way of reaching huge audiences.

The prosperity that business was generating seemed unstoppable. National income rose from \$64 billion in 1921 to \$87 billion in 1929. This prosperity masked problems, however.

First, the business scene was not completely healthy. As workers produced more in the same number of hours, businesses grew, sometimes producing more goods than they could sell. Chain stores spread across the nation. With this growth, however, the difference in income between business managers and workers grew. Also, mining companies, railroads, and farms were suffering.

Second, consumer debt rose to alarming levels. Businesses helped promote consumer spending by allowing customers to buy on credit. By making the payments low and spreading them over a long period of time, businesses made it easy for consumers to decide to purchase all the goods that the businesses were producing.

## Review

1. How did people reveal distrust of others in the 1920s?
2. What happened to the labor movement in the 1920s?
3. What progress was made toward world peace in the 1920s?
4. What problems arose in Harding's cabinet?
5. What problems did the business boom hide?