Booms Under Pressure

Trace how major events change demand, jobs, and growth.

9-12.EC.7 "Analyze the impact of events such as wars, industrialization, and technological developments on the business cycle."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline events or changes that raise or lower demand, and circle their effects on jobs or production. Number the links in one chain from an event to an expansion or downturn.

What Changes the Pace of Growth?

1 In 1938, the U.S. economy was already expanding after a severe downturn, but unemployment remained high. As war spread in Europe, foreign governments ordered American weapons and supplies. After the United States entered World War II in 1941, federal orders grew much larger. Factories hired workers, added shifts, and bought equipment to meet demand. Paychecks gave families more income, although rationing limited what they could buy. Wartime spending accelerated the existing expansion rather than starting it. As the war ended, cuts in military orders contributed to a brief 1945 recession. The drop showed how falling demand could reverse growth.

2 Wars are not the only events that change the pace of economic activity. During the late 1800s, U.S. railroad construction linked farms, factories, and cities. New track increased demand for steel, timber, and labor, while cheaper shipping helped businesses reach more customers. These investments supported periods of expansion. Yet building rail lines required heavy borrowing, and some companies built more track than traffic could support. When expected profits failed to appear, lenders and investors pulled back. Railroad failures and reduced construction cut orders and jobs, deepening downturns. Industrialization could therefore amplify both a boom and a bust.

3 Technological change can shift the cycle without a war or a railroad boom. In the 1920s, mass production made radios cheaper, and growing radio sales encouraged factories to expand and hire. Firms selling parts and advertising also gained customers. But buying a new product cannot guarantee endless growth. If households borrow too much and sales fall, businesses may cut output and jobs. The Great Depression began in 1929 for several reasons, including financial problems and collapsing demand, not because people stopped buying radios. A technology can strengthen an expansion, but other conditions determine whether growth lasts.

2 ANSWER WITH EVIDENCE

Use the passage

1. How did wartime orders affect the expansion already underway, and how did cuts in those orders affect the economy?

2. Explain how railroad construction could support an expansion and later deepen a downturn.

3. How did cheaper radios affect jobs beyond the factories that made them?

4. How could railroad overbuilding and falling radio sales each turn growth into a slowdown?

3 YOUR TURN

Your own words

Imagine a new, affordable battery makes delivery vehicles much cheaper to operate. In four to five sentences, explain how this development could affect spending, jobs, and a phase of the business cycle, then describe one plausible reason growth could slow.

ANSWER KEY

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HIGH SCHOOL · 9-12.EC.7

PART 1 · READ AND MARK

Underline events or changes that raise or lower demand, and circle their effects on jobs or production. Number the links in one chain from an event to an expansion or downturn. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How did wartime orders affect the expansion already underway, and how did cuts in those orders affect the economy?	**Wartime orders increased factory demand and hiring, accelerating an existing expansion. Cuts in military orders contributed to falling production and a brief recession in 1945.**
2	Explain how railroad construction could support an expansion and later deepen a downturn.	**Construction raised demand for materials and labor, while cheaper shipping helped businesses grow. When overbuilt railroads failed to earn expected profits, investment and construction fell, cutting orders and jobs.**
3	How did cheaper radios affect jobs beyond the factories that made them?	**Growing radio sales brought customers to firms selling parts and advertising, which could support jobs in those businesses.**
4	How could railroad overbuilding and falling radio sales each turn growth into a slowdown?	**Railroad overbuilding could cause profits and investment to fall, reducing construction and jobs. Falling radio sales could lead businesses to cut output and jobs. Both reduce economic activity.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Affordable batteries could lead delivery companies to order new vehicles, increasing spending at vehicle and battery factories. Those factories might hire more workers, strengthening an expansion as paychecks support other purchases. Some workers who maintain older vehicles could lose hours, so the benefits would not reach everyone. If companies finish replacing their fleets and new orders fall, factories may reduce shifts, slowing growth.

Accept other supported cause-and-effect explanations that connect an event to demand, jobs or production, and a change in the business cycle. Do not credit claims that wartime orders began the expansion or that radios caused the Great Depression.