Buy Now, Boom Later

How credit and federal policy shaped the 1920s economy

USH.C.4.2.A "Describe the booming economy based upon access to easy credit through installment buying and a return to laissez-faire economics during the Harding and Coolidge Administrations."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline how installment buying worked, circle two ways federal policy favored business, and number two links between buying and economic growth. Use your marks to explain what helped the economy boom.

A Radio in the Store Window

1. In 1926, a family might see a radio in a store window but lack enough cash to buy it at once. An installment plan offered another route: make a down payment, take the radio home, and pay the rest in regular payments, often with added finance charges. Stores and finance companies made such credit easier to obtain for many buyers. This did not make the radio cheaper. It moved part of the cost into the future, so a household could buy now instead of saving first. If payments stopped, the seller could reclaim the item.

2. More buyers with access to credit meant more orders for goods such as cars, radios, and refrigerators. Factories could respond by producing more, and expanding industries hired workers and purchased materials. Car sales also supported businesses that made steel, tires, and gasoline. This chain helped fuel the economic boom of the 1920s. Yet the benefits were uneven: many farmers struggled with low prices, and some workers did not share equally in rising profits. Installment debt also left buyers vulnerable. A lost job could make monthly payments hard to meet, even when a family already had the product at home.

3. Federal policy under Presidents Warren G. Harding and Calvin Coolidge generally favored a return to laissez-faire economics, the idea that government should interfere less in business decisions. Their administrations backed lower federal tax rates, especially on high incomes, and took a less aggressive approach to some business regulation. Supporters argued that these choices would leave companies more money and freedom to invest and expand. This pro-business approach worked alongside easy credit: firms could increase production while more customers could buy on installments. The federal government did not disappear from the economy, however. It still set tariffs and carried out other policies affecting trade and business.

2 ANSWER WITH EVIDENCE

Use the passage

1. How could an installment plan increase demand for radios without lowering their price?

2. How could higher car sales spread economic growth beyond car factories?

3. Which two federal policy choices under Harding and Coolidge reflected a return to laissez-faire economics, and how could they encourage expansion?

4. How did easy credit and the presidents' pro-business approach work together to support the boom?

3 YOUR TURN

Your own words

Write a museum caption for a fictional 1920s store display featuring a household product not named in the passage. Explain how installment buying and Harding and Coolidge's approach to federal policy could help its maker sell more, and include one limit or risk of the boom.

ANSWER KEY

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HIGH SCHOOL · USH.C.4.2.A

PART 1 · READ AND MARK

Underline how installment buying worked, circle two ways federal policy favored business, and number two links between buying and economic growth. Use your marks to explain what helped the economy boom. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How could an installment plan increase demand for radios without lowering their price?	**A buyer could take a radio home after a down payment and pay the rest over time instead of saving the full price first.**
2	How could higher car sales spread economic growth beyond car factories?	**More car sales could increase orders for steel, tires, and gasoline, supporting those businesses as well.**
3	Which two federal policy choices under Harding and Coolidge reflected a return to laissez-faire economics, and how could they encourage expansion?	**Lower federal tax rates and a less aggressive approach to some business regulation could leave companies more money and freedom to invest and expand.**
4	How did easy credit and the presidents' pro-business approach work together to support the boom?	**Installment credit let more customers buy goods, while pro-business policies could help firms invest and increase production to meet demand.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A customer who could not pay the full price could take this electric iron home after a down payment and promise monthly installments. That could increase sales, giving its manufacturer a reason to make more irons. Under Harding and Coolidge, lower federal tax rates and a less aggressive approach to some business regulation could give the manufacturer more room to expand. The boom had limits: buyers still owed the remaining payments, and a lost job could leave them in debt.

Accept other accurate links between installment demand, business expansion, and federal policy. For the caption, accept a different household product not named in the passage and a supported limit, such as debt or uneven benefits.