As the world recovered from World War One, America found herself in a very strong position in the world. General standards of living began to improve quite quickly as did technological developments and America found itself experiencing what is now called a ‘boom’ in its economy.

America, after the war, had money and found herself in a position to lend money to the Allies who were desperate to rebuild their economies. She also found herself able to lend money to Germany in order for them to pay the huge reparations demanded in the Treaty of Versailles. As a result of this, America was receiving lots of money in repayments of these loans.

In the 1920s, electricity was being made available to the masses and that inspired new inventions such as the vacuum cleaner, the refrigerator and the washing machine. Also at this time, Henry Ford was introducing mass production to the car industry. This was quicker and made it easier for more cars to be produced in shorter time windows and mass production soon caught on and other industries followed. These new factories created many more jobs and therefore increased the incomes of millions of people.

Increased incomes produced increased spending power and people felt more able to go out and buy all these new things that were appearing in the shops. At the same time there was the introduction of a new way of buying more expensive items. This was called hire purchase and it meant that people could buy their desired item, take it home and pay for it over a period of time. This again led to increased orders for these products which increased production and wages.

This increased income and higher standard of living rapidly developed confidence in the economy and many people who would not have considered doing so beforehand found that they could afford to invest in these new companies in the form of stocks and shares and that they could benefit from the money earned.

All of these things combined to produce America’s booming economy in the 1920s. This boom was enjoyed by a large majority of the population.