Task 1 Understanding Cause and Effect

**Conditions & Causes (1920s)**
- Stock-based economy; superficial prosperity
- Unequal distribution of income
- Problems in industry and the farm sector
- Increasing consumer debt
- Stock market speculation and crash

**Events of 1929**

**What is a Depression?**
The Great Depression is a period, lasting from 1929 to 1940, in which the U.S. economy was in severe decline and millions of Americans were unemployed.

**What happened?**
After the crash, many people panicked and withdrew their money from banks. But some couldn’t get their money because the banks had invested it in the stock market. In 1929, 600 banks closed, and by 1933, 11,000 of the nation’s 25,000 banks had failed.

**How did things change?**
- Tariffs and war debt policies that cut down the foreign market for American goods
  - A crisis in the farm sector
  - The availability of easy credit
  - An unequal distribution of income
- European countries trying to recover from the ravages of World War I faced high war debts
- It was difficult to sell American farm products and manufactured goods abroad.

**Outcomes & Results (1930s)**
- People out of work
- Rise of shantytowns
- Banks fail and schools close
- World economy suffers
- Hoover employs more active governmental involvement