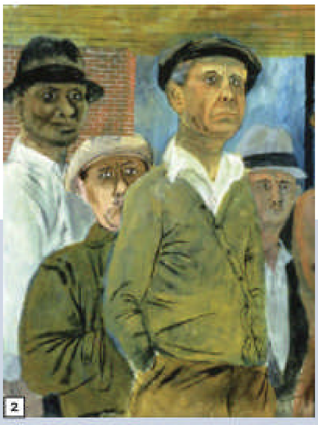


2 Ben Shahn, *Unemployment*, ca 1940 (detail).

3 Front page of a newspaper from 28th October 1929.

Santa Ana Register

FINAL EDITION

BILLIONS LOST AS STOCKS CRASH

Pantages In Jail Awaits Sentence To State Prison

GUILTY SAYS JURY AFTER MANY HOURS

SENATE "FARM BLOC" STARTS BATTLE FOR HIGHER TARIFFS

JURY BELIEVES HER STORY

MAINSTAYS OF MARKET IN PLUNGE

market artificially high, and it eventually led to large market crashes. A major reason for this large and growing gap between the rich and the working class was the increased manufacturing output throughout this period. Therefore wages increased at a lower rate than productivity.

C. Total demand must equal total supply for an economy to function properly. In the 1920s there was an oversupply of goods. There was too much bread, wheat, corn, meat and oil and almost every other commodity required by man for his subsistence and material happiness. One obvious solution to the problem of the vast majority of the population not having enough money to satisfy all their needs was to allow credit sales. The concept of buying now and paying later became popular. This strategy created artificial demand for products which people could not ordinarily afford. The US economy also relied upon luxury spending and investments from the rich during the 1920s.

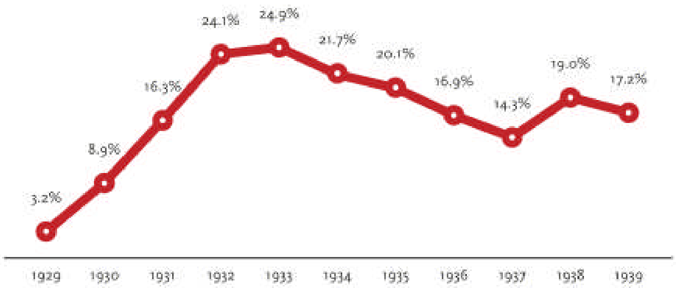
D. While the automobile and radio industries were booming in the 1920s, some economic areas, like agriculture in particular, were declining steadily. Several factors had caused prosperity in these two industries: first, during World War I both the automobile and the radio had been significantly improved. If those two industries were to slow down or stop, so would the entire economy. The fundamental problem with the automobile and radio industries was that they could not expand *ad infinitum* for the simple reason that people could not buy too many cars and radios. When the automotive and radio industries went down, all their employees suffered. Because it had been ignored, agriculture, which was still a fairly large segment of the economy, was already in ruins when American industry declined.

E. At the end of the decade, the rich stopped spending on luxury items, and slowed investments; the working class and poor stopped buying things on credit for fear of losing their jobs and not being able to pay the interest. As a result, industrial production fell by more than 9% between the market crashes in October and December of 1929. To protect the nation's businesses the US imposed higher trade taxes, and foreigners stopped buying American products. Jobs were lost, stores were closed, banks crashed and factories shut down. Unemployment grew to 5 million in 1930, and up to 13 million in 1932. The country moved into a catastrophe. The Great Depression had begun.

F. The Federal Reserve Board had been created to prevent bank panics and depressions. The first thing it did was inflate the money supply by about 60% during the 1920s. In early 1931 the Fed raised interest rates, exactly the wrong thing to do during an economic contraction. When Franklin Delano Roosevelt became President in 1933, he embarked on a programme of active state economic involvement known as the 'New Deal'. The most important initiatives included the National Industrial Recovery Act (1933), the Agricultural Adjustment Act (1933), the National Youth Administration (1935), the National Labor Relations Act (1935) and the Social Security Act (1935).

IELTS Academic Writing – Task 1

2 DESCRIPTION. The graph to the right shows the percentage of the rate of unemployment in the US between 1929 and 1939. Summarise the information by selecting and reporting the main features, and make comparisons where necessary. Write at least 150 words.



Average rate of unemployment in the US