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Historical Example of Labor Supply and Demand in the United States during the Great Depressi XECO/212 10/21/11 Historical Example of Labor Supply and Demand in the United States during the Great Depression During the 1930’s, the United States went through a terrible economic crisis referred to as the Great Depression. This came about from a series of events that caused a domino effect on the economy. After the stock market crash, people in the U. S. ost billions of dollars and demand dropped which lowered the equilibrium and caused a surplus in goods and services. This would normally cause individual wealth and increase demand because the prices for goods and services were lowered. But this surplus in goods and services caused people to become unemployed because there services were no longer needed. This went against the classical economist’s views of a vertical supply curve where equilibrium is always met and no surpluses or shortages exist.

People lost their jobs and didn’t have money to spend during this time period. The shortage of one job affected the next job and before long the economy was spiraling out of control. Banks had money for people to borrow but everyone was saving as much money as they could and the businesses were not borrowing the saved income. Even with lower interest rates, people were afraid to borrow money they could not pay back. In 1933, 25% of workers were unemployed and 37% of non-farm workers were unemployed. Some people starved; many others lost their farms and homes.

Homeless vagabonds sneaked aboard the freight trains that crossed the nation. Some people traveled to California with false hope that there were jobs out west. Labor Supply and Demand affected everything during the Great Depression. References Smiley G. (2008) Great Depression http://www. econlib. org/library/Enc/GreatDepression. html Michelle H. (Sept. 4th 2006) The Laws of Supply and Demand, Classical Economists, and the Great Depression http://www. associatedcontent. com/article/57112/the\_laws\_of\_supply\_and\_demand\_classical. html? cat= 3