Historical example of supply and demand

Economics

TheGreat Depressionhappened because the stock market in the United States dropped dramatically. A major factor in bringing about thedepressionwas a direct result of supply and demand. Supply and demand rely on each other and should be equal in a stable economy. Too much supply demand drops, demand goes up supply should go up to meet it. There was a large overage of products that the U. S. people could not consume. The overage happened because a technological advance changed how they produced goods. They were able to produce products more efficiently, however they did not increase employees wages.

Therefore, people could not afford to buy the amounts of products that were being produced. This was a direct result. There was no equilibrium. When there was an overage of products there were less demands for laborers because they could not even sell the products that they had let alone produce more. The employers could have increased the employees wages to help the situation. This would not have completely fixed the problem. The industries would be forced by the law of supply and demand to drop their level of output to compensate in their loss of overall profit.

Now there was less work, overage of products, and a failing economy. The Great Depression came to an end when the U. S. started making war goods for Britain. This created many jobs for U. S. citizens. This allowed people to earnmoneyand begin spending again. President Roosevelt also had an impact on the recovery of the Great Depression. He made new policies, and changed how things in the economy went. He created different agencies to help with the situation. This in turn helped to create more jobs as well. The

demand eventually caught up with the supply due to the labor market increase.