

rapidity of technical progress requires greater elasticity and adaptability in the economic system, this system has become less elastic and adaptable. The pace of technical invention has put a greater strain upon an already diminished absorptive capacity. This was the main cause of the already considerable unemployment in America even during the period of boom; and it is the main fact we now have to face. The increased displacement by machines is a less important factor than the change in the environment in which it operates, than the new sluggishness in the normal economic process.

What then is the reason for this? To find the answer we must picture the way in which the economic system normally works. Everywhere, except in Russia, supply is adjusted to demand, and each process in an infinitely complex interacting series is linked to the rest by competition operating through price changes. If demand for any article increases, the price goes up, and new capital and labour are attracted, till the supply again equals the demand; and the converse process operates when demand falls off. The individual producer feels his way to his policy by the guidance of price and cost-levels; and if he resists he fails to make profits and is ultimately eliminated. Over the whole system