

EFFECT ON THE STRUCTURE OF SOCIETY

economic activity therefore depends upon a prospect of profits, that is of prices exceeding costs, operating in the minds of individual *entrepreneurs*. Everything depends upon prices and costs being flexible and responsive to new conditions, and business policy being quickly amenable to their guidance.

Now for a quarter of a century or more a number of factors have combined to interfere with, and retard, this normal adjusting process of the competitive price system. Industries have been organized on so large a scale, and fortified with such financial resources, that they can and often do maintain production after demand has fallen off and prices have become unprofitable; and then, if there is no recovery from the slump, they may make it worse by dumping a great excess of stock at liquidation prices. Others are so organized or inter-related that they can in practice fix prices, and may choose to keep them high and lose custom rather than tap new demand by reduction to the lowest figure compatible with the smallest margin of a profit. Each of these policies was impossible to the small individual manufacturer of the past, and each retards adjustment. Meantime social legislation and rigid wage rates, whatever their other benefits, have interfered with the adjustment that is made by changes