

ve admitted the truth of the diagnosis set forth in these chapters, that they are in a position to invite the collaboration of the Trade Union leaders on fair and reasonable terms.

As soon as the Government admit that the problem is primarily a monetary one, then they can say to Labour: This is not an attack on real wages. We have raised the value of sterling 10 per cent. This means that money-wages must fall 10 per cent. But it also means, when the adjustment is complete, that the cost of living will fall about 10 per cent. In this case there will have been no serious fall in real wages. Now there are two alternative ways of bringing about the reduction of money wages. One way is to apply economic pressure and to intensify unemployment by credit restriction, until wages are *forced down*. This is a hateful and disastrous way, because of its unequal effects on the stronger and on the weaker groups, and because of the economic and social waste whilst it is in progress. The other way is to effect a *uniform* reduction of wages by *agreement*, on the understanding that this shall not mean in the long run any fall in average real wages below what they were in the first quarter of this year. The practical difficulty is that money-wages and the cost of living are interlocked. The cost of living cannot fall until *after* money-wages have fallen. Money-wages must fall *first*, in order to allow the cost of living to fall. Can we not agree, therefore, to have a uniform initial reduction of money-wages throughout the whole range of employment, including Government and Municipal employment, of (say) 5 per cent., which reduction shall not hold good unless after an interval it has been compensated by a fall in the cost of living?"

If Mr. Baldwin were to make this proposal, the Trade Union leaders would probably ask him at once what he intended to do about money payments other than wages—rents, profits, and interest. As regards rents and profits he can reply that these are not fixed in terms of money and will therefore fall, when measured in money, step by step

