cause the real wage rate that it is attempting to pay has exceeded the real wage rate that is being produced, then it can only become better if these two are adjusted. But if that rise in prices which is partly the inducement to, and partly the effect of, better business, automatically brings about a rise in money wage rates per hour (by adjustment on a cost-of-living basis) without any corresponding increase in output per hour, adjustment is farther off than ever. The only true indication of the valid conditions under which a higher real wage is possible is a sensitive and complete Index of Production on national lines. In the absence of such an official index, I have taken the (private) quarterly production index produced by the London and Cambridge Economic Service, which is the best indication of production we possess, and, finding the extent to which each quarter's figure has fallen below the 100 per cent. pre-war level, obtained what may be called an index of short output. I have plotted the results as a third line upon *The Statist* graph referred to above. Again, the agreement in detailed fluctuation is most remarkable and significant.

At the moment when output is least the rate of real wages is highest, and therefore the number who can be in receipt of such wages is greatly reduced, and increased unemployment is an essential corollary. At the times when output is improving the rate of real wages per person tends to be going down, and, therefore, the total number who can be paid such a wage is increasing. I need not refer to the monetary causes which are probably responsible for the simultaneous movement of all these lines, but I would urge that the pre-war cost-of-living fetish, which may work for or against the worker, according to circumstances, has in the past seven years obscured the exact relationship between the standard of life and the standard of output.

In an address to professional accountants on 'Economics as an Exact Science'[1] I dealt with the possibility of

[1] *Current Problems in Finance*, I.