example, the cost of oranges. The grower is paid 4 cents apiece, a sum that must cover all his production costs, plus profit, if any. Transportation and final distribution and handling add another six cents; but the orange sells for 20 cents, or approximately twice the real cost of production.

For housing, the consumer is paying even more ficticious costs, as we demonstrated above. The real value component of housing is approximately 40 percent. Since the family spends about a quarter of its budget for housing, we multiply that quarter of total employee compensation times 40 percent (0.4) to get the portion of real value derived from that nominal expenditure.

Similary, transportation represents at best 50 percent of real value for the consumer. The $8,000 family auto carries another $3,300 worth of interest; the production cost of gasoline is 40-50 cents per gallon, but the consumer cost is $1.30 to $1.50.

Clothing, which absorbs 8 percent of the family budget and is relatively cheap, nonetheless contains a calculated 50 percent ficticious cost that covers mob-enforced loan sharking and factoring and the gross inefficiency of the production process.

For the last category, taxes (federal, state, and local plus Social Security), which claim about 24 percent of the family income, we take a rough estimate that only 50 percent of that expenditure represents real product—actual services to the citizenry. About 12 percent of government cost is interest payments, and a major portion of education and other social and other services is the cost of the rentier-financier interests both using the government for their own immediate profit and to control the remainder of the population.

Adding the percentages of real values for the employee compensation, we find that real GNP is about 48 percent of official GNP. Thus real employee compensation GNP is $715 billion rather than the official $1,490 billion.

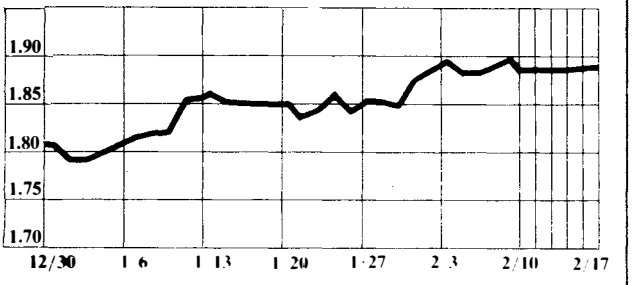
We deflate the value of capital consumption (investment in capital goods) by 60 percent, although one might expect that this is the one category with high real value. We measure the real value of capital investment by comparing the effect on productivity of U.S. investment with Japanese investment. We find that on average, U.S. investment is only 40 percent as efficient as Japanese investment.

We have constructed an index of *real* Gross National Product which we can compare with the official figure to indicate the amount of ficticious "value" in the economy. This ficticious cost, paid by the consumer or manufacturer, is what we generally call inflation. The widening gap between producer costs (real GNP) and price of the products represents the inflation potential in the economy.

Currency Rates

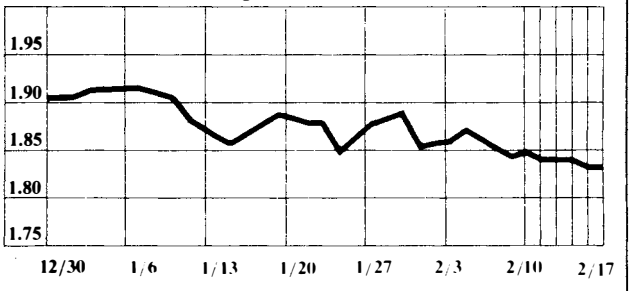
The dollar in Swiss francs

New York late afternoon fixing



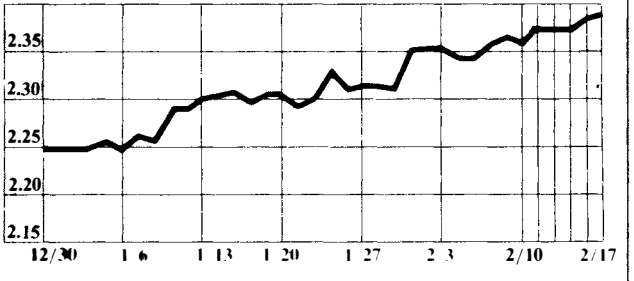
The British pound in dollars

New York late afternoon fixing



The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing