

Dollar Countries Must Help

We and the sterling countries of the Commonwealth like Australia and India and so on all do a lot of business with the dollar area and we pool our dollar earnings. So though this problem affects the United Kingdom particularly—as bankers for the sterling area—it also affects the whole sterling area and, in fact, the whole non-dollar world. Nor can we solve it alone. The dollar countries in particular must help us and the rest of the non-dollar world to earn more dollars.

Of course, when people saw that our reserves were falling rapidly they began to wonder if their confidence in sterling was well placed. Talk had started last spring about our exchange rates in a way which led to doubt as to whether they were not too high. Once it was suspected that a lowering might take place people tried to turn pounds sterling into gold and dollars by all sorts of devices. That is a very difficult thing to stop and there has been a good deal of it going on latterly. With low reserves we cannot afford losses of that kind. We had to take some steps to stop it.

That was one reason which convinced us of the need to lower the sterling rate of exchange to a new rate which would stop this drain on our reserves. It was essential to fix that new rate at a level that we could hold. We can always let the rate go up if events prove that we have gone a bit too low.

Another reason I have already mentioned is that we had to increase our power to earn dollars. That is the only permanent solution for our difficulties—to earn more dollars. We must either earn more dollars or spend less to get a balance. Merely to cut down our spending and do nothing to increase our earning is a policy of desperation and not one that we could adopt. It would deprive us on a large scale of essential food and raw materials and so reduce our standards of living. No, we must devise a better way than that. We must sell more goods and services for dollars. This is especially important now before the Marshall Plan, with its dollar aid, comes to an end as it does in 1952. By then we must stand on our own feet in this matter of dollars, and we must earn enough of them; for unless we do, it will mean lower standards and widespread unemployment.

We have so far, since the end of the Second World War, prevented the heavy unemployment that threw so deep a shadow over so many of our homes in the years between the two wars. I wonder how many of you realize what a hard and difficult struggle it has been to maintain that full employment. We must not run any risk of large-scale unemployment. So we in the sterling and the dollar countries must try and create conditions in which the sterling area is not prevented from earning the dollars we need. This change in the rate of exchange is one of those conditions, and a most important one.