

Ordinary People Will be Little Affected by Change

Now I turn to deal with how this change is going to affect you and me. It will not alter what is known as the internal value of the pound. Your savings, your wages and salaries will buy you just as much as they did before of all the things that we produce ourselves or that we buy from other countries who make a similar change in their dollar rate of exchange. All such prices should remain unaffected. Where it will make a difference is where we have to pay more pounds sterling for the same quantity of dollar goods. Such goods will cost more pounds shillings and pence. The most important change from the point of view of our cost of living will be due to the wheat and flour that we import from North America from which a great part of our bread is made. You may remember that I said at the time of the Budget that we could not afford to provide any more than the £465,000,000 sterling that we are already paying annually by way of subsidies on our food. That still holds good. We cannot afford to cancel out this increase in the sterling price of wheat by more subsidy, so we must increase the price of bread and flour sufficiently to offset the increased cost. A 4½d. loaf will have to go up to 6d., and flour correspondingly will rise in about fourteen days' time unless there are changes made in other exchange rates which will make a smaller increase sufficient. This increase will represent a rise in the cost of living index figure by nearly one point unless it is offset by reductions in other items. Apart from this increase in the price of bread there should not be any noticeable increase in other retail prices, at any rate for the time being. Over the next few months there may be some justifiable reason for an increase in the price of a few articles which are made mainly from imported dollar raw materials—that is, if dollar prices do not fall. But we must wait and see what happens.

Warning Against Profiteering

The important fact that I want to bring home to you is that there is no reason whatsoever for any immediate increase in any prices in the shops except bread, and we shall not tolerate anyone taking advantage of the situation for their own profiteering. This increase in the cost of living is a vital contribution to the success of the national effort to balance our dollar trade; so it follows that the change gives no reason for any increase in personal incomes whether from wages, salaries, profits, or any other source. The stark fact is this: we cannot avoid large-scale unemployment unless we put a stop on any wage, salary, or other personal income increases until we see how things are turning out and we have been able to realize the full benefit of this new exchange rate.