

Statement on the Devaluation of Sterling by the
Right Hon. Walter Nash, Minister of Finance,
in the House of Representatives on Tuesday,
20th September, 1949

WHEN I spoke over the air yesterday morning I promised at that time to make a fuller statement in the House to-day regarding the devaluation of sterling. The statement it is now proposed to make follows on a series of meetings and discussions relative to the difficulty experienced in obtaining dollars to pay for the essential requirements of the United Kingdom and other countries of the sterling area and Western Europe. The immediate conferences were those held in London in July of the present year between Mr. Snyder, Secretary of the Treasury of the United States, Mr. Douglas Abbott, Minister of Finance for Canada, and Sir Stafford Cripps, Chancellor of the Exchequer for the United Kingdom. The first conference was followed by a conference of Commonwealth Finance Ministers held in the same month, and later the conference early in the present month, when Ministers representing the United Kingdom, the United States, and Canada met in Washington. According to the statement made by Sir Stafford Cripps when broadcasting yesterday morning, the decision to devalue sterling (not necessarily the rate) was made at some time between the conferences held in London and the one held in Washington—that is, it was made prior to the departure of Mr. Ernest Bevin and Sir Stafford Cripps for the Washington Conference. The decision later reached was to devalue the pound sterling from the rate of 4 dollars 3 cents to 2 dollars 80 cents.

To understand the position that has arisen it is necessary to consider the traditional position of sterling in the world of trade and finance. For most of the past century sterling currency has been almost a world currency. London was the trade and finance centre of a large area including not only what is now known as the sterling area, but also most of Europe, European colonial possessions, the Middle East, and the Far East. Sterling could be freely converted into any other currency. This was possible because payments between the United Kingdom and the rest of the world were broadly in balance, and payments could be made between countries by a system of offsetting transactions in terms of sterling. During the period immediately prior to the First World War a tendency was developing for the United Kingdom and other countries of Europe to rely more and more on the production of the dollar countries, mainly in the Western Hemisphere.