(*c*) *The relaxation of the restrictions on the spending by the United Kingdom of Marshall aid dollars outside the United States, thus permitting the United Kingdom to take advantage, if they are available, of cheaper sources of supply in other countries.*—That has been agreed to, and we have an instance of it where the United States will allow some of the E.R.P. funds to be used for the purchase of wheat from Canada.

(*d*) *Loans from the United States to the sterling area by private investors who do not want payment immediately for any capital equipment that they provide or for any moneys they are willing to lend.*

(*e*) *Dollar loans, which are now being considered by South Africa, Australia, and New Zealand.*—So far as New Zealand is concerned, such a loan might, for example, come from the Export-Import Bank; the same bank could, of course, also lend to South Africa or Australia; in addition, those two countries can, under certain conditions, obtain loans as members of the International Monetary Fund and the International Bank for Reconstruction and Development.

How Devaluation will Assist in Solving Dollar Problem

Now may I say a word or two about the contribution of devaluation towards solving the dollar problem?

First.—Goods produced at a certain price in terms of sterling will now be available for importation into the dollar area at lower cost in dollars. Therefore the United States will wish to import a greater volume of such goods, and it is to be expected that on balance this increased volume will offset any reduction in dollar price so as to increase the total dollar value of imports by the United States from the sterling area.

Secondly.—Some goods which are produced in the sterling area have not in the past been sold in the dollar area because their cost was too high. Many of such goods can now be sold in the United States at an attractive profit margin. Manufacturers and other business men in the United Kingdom will have a greater incentive to produce for export to dollar markets because in their own currency sales in such markets may now yield up to 44 per cent. more. Thus, there is an increased attraction to sell to the United States and Canada as well as an improved competitive position in those markets to enable increased sales to be made.

Thirdly.—Goods produced in the United States with a given cost in dollars will now cost more in terms of other currencies. Non-dollar countries will therefore seek other sources of supply for these goods, either at home or abroad, and increased production of them will be encouraged. This will tend to reduce the volume of imports from dollar sources and thus help to balance world trade.