

These three factors cover the long-term contribution made by devaluation. In conjunction with the other steps agreed upon at the Commonwealth Finance Ministers' Conference in London and the recent Washington talks, devaluation should enable balance between the non-dollar and dollar areas to be achieved.

As to the short-term effects of devaluation, two effects of great importance must be mentioned. Adverse effects on the sterling area's ability to earn dollars resulting from the recent business recession in the United States brought about some lack of confidence in sterling and led to rumours of devaluation. Believing such a step to be imminent, there was a strong tendency to avoid holding sterling, and many people sought a variety of means, some legal and some illegal, to convert sterling into gold or dollars. Such conversions increased the drain on the sterling reserves of gold and dollars which had already arisen from adverse trade developments. Now that devaluation has occurred, this flight from sterling can be expected to stop, and may even be reversed, thus relieving the drain on the reserves and enabling them to be built up once more.

The second short-term benefit of the devaluation which may be expected is the limitation of trading operations in cheap sterling. Traders who have engaged in these operations have bought sterling for purchases of various commodities, including wool and skins of various kinds, in the sterling area. They have been able to make a substantial profit by reselling these goods in the United States, and using the dollars so acquired to buy dollar goods for sale on their home or other non-dollar markets. The dollars which should have been earned by the sterling area from the sale of these goods in the United States were thus lost. With devaluation, sterling should not now be readily obtainable at any substantial discount in a black market, and thus such operations will no longer be so profitable. As a result, the sterling area should receive many more millions of dollars. We have suffered in that direction. I know that the value of hides, pelts, and skins of New Zealand origin imported into the United States for the six months ended 30th June of this year exceeded \$300,000, yet there is no record of any skins being consigned from New Zealand to the United States. The practice followed has been for black-market operators to buy sterling at around about \$2.60 for £1 sterling and, having bought the sterling, to come into this market and pay more than the dollarman would pay, and send the goods away to the dollar area, where the goods are sold for dollars. The proceeds are then used to buy essential or scarce goods in the dollar market, and then, because dollar goods were scarce in other countries, they took those goods to the other countries and made their profit out of the last sale. The Minister of Industries and Commerce says it is the "skin game." Well, the "skin game" should end as a result of the alteration in the rate of exchange.