

after the end of the First World War we came back to this very useful arrangement, which allows traders to know how much they can get in their own money if they sell their goods abroad and what they will have to pay in their own money for the goods they import from other countries. So they know where they are in their business.

For instance, for four dollars you can now get one pound sterling, or similarly for 5s. you can, if you are allowed to buy dollars, get one dollar. This rate of exchange is one of the things that influences the amount of goods which we can buy or sell for dollars. Here is a simple example. An English motor-car is exported to the United States; its price is £300 sterling. The American buyer will pay \$1,200 if the rate of exchange is four to the pound. But suppose the rate was five to the pound—many years ago it was nearly that—the buyer would then have to pay \$1,500. If the rate was only three to the pound—and after the First World War it was at one time very near to that—then he would only pay \$900. Now, it is not very difficult to see the two consequences of that. First, more Americans would buy that type of car if it cost \$900 than if it cost \$1,200 or \$1,500; secondly, we could buy less in America for the \$900 than for the \$1,200 or \$1,500.

Now, that shows how important the rate of exchange is to us, and particularly to all our traders. Though it has no effect upon the value of the pound sterling in our own country, it does affect the amount we can buy and sell abroad. With a low rate of exchange we can sell more of our goods abroad and so should be able to earn more dollars in total. High exchange rates tend to hamper our export trade. With our imports, of course, it is the other way round. A high* rate of exchange encourages imports and a low rate of exchange tends to diminish their amount because it makes the price of the imported goods higher. So, you see, our power to earn dollars must depend to a very large extent upon the dollar rate of exchange of the pound sterling. That is a question which we decide for ourselves; it cannot be settled for us by others.

Reasons for Devaluing Sterling

In the light of changing circumstances we went into this matter again before leaving for Washington. It is a very important and grave matter for our whole future and it is not one that we can decide lightly. The Government decided—and we told our American and Canadian colleagues of this decision on the first day of our arrival, before starting on any discussions or consultations—to reduce the dollar exchange value of the pound sterling. In the last few days we have ourselves

* NOTE.—The speaker is here using “high rate” to mean a high number of dollars to the pound, and “low rate” to mean a low number of dollars to the pound.