

settled what the new rate should be, and now I have to tell you of that decision. It is that, in place of the present rate fixed in 1946 of four dollars and three cents to the pound, the rate will in future be two dollars eighty cents to the pound. We consulted the International Monetary Fund, and they agreed with our action. That new rate will come into force to-night. In order to enable the necessary business adjustments to be made, the Banks will remain closed to-morrow; so will the Stock Exchanges; but industry and all other business, including the Post Office Savings Bank and the Trustee Savings Banks, will carry on in the usual way. Banks and Stock Exchanges will open on Tuesday as usual.

Though we took this decision before the Foreign Secretary and I left for Washington, we did not then announce it because we wanted to tell our American and Canadian friends first and to inform all the members of the Commonwealth; and, too, because it takes a little time to arrange these matters. I was also most anxious to make the announcement myself here in London.

Now I must tell you why we have taken this step, which is contrary to what I stated on behalf of His Majesty's Government in July last. You also want to know what sort of effect this change will have upon your income and how you spend it. Then, finally, I must impress upon you the steps we have got to take so as to derive the fullest benefit from this change and so as to avoid any ill effects flowing from it.

I am sure I need not tell you what great progress we have made in this country since the end of the war. We are producing at record level and exporting half as much again as we were before the war. Our industry and commerce are upon a sound basis of production. Taken as a whole, our exports of goods and the services we provide were in the first half of this year bringing in enough to pay for all our imports. But, despite this, two world wars have so dislocated world trade that we have been quite unable to earn enough dollars. We have had to help other countries with loans and credits of sterling, and we and they have had to depend on loans and credits and gifts of dollars from the United States and Canada. These countries produce a great many things that we cannot buy enough of from the rest of the world, so that we must buy a great many dollar goods unless we are to sacrifice our standard of living altogether. During 1948 we were making good progress towards balancing our dollar account; but in the second quarter of this year our dollar receipts, including those of other parts of the Commonwealth—like, indeed, those of the rest of the world—started to fall off. Our gold reserves began to run away at much too fast a rate despite the aid we were getting under the Marshall Plan. If we could not stop that drain these reserves, which serve the rest of the sterling area as well as ourselves, would disappear.