Statement Broadcast by the Right Hon. Walter Nash, Minister of Finance, at the Conclusion of the Announcement by Sir Stafford Cripps, the United Kingdom Chancellor of the Exchequer, at 8.15 a.m. on Monday, September 19th, 1949

DURING recent weeks, and especially during the last few days, much publicity has been given to rumours that sterling would be devalued in terms of the United States dollar, and many arguments for and against the taking of such a step have been fully ventilated.

The announcement which has just been made by the Chancellor of the Exchequer will therefore not have come altogether as a surprise to most people.

The decision reached is in accord with the considered judgment of some of the ablest minds in the United Kingdom. The action taken will, to a greater or lesser extent, affect every country in the world.

The first thing that every country in the world will now have to do is to decide for itself what is to be its own exchange rate with sterling, and with the dollar; for as the number of dollars that go to make up a pound has altered from four dollars and three cents to two dollars eighty cents, no country can go on quoting the same exchange rate for its own currency in terms of both sterling *and* dollars. The drop in value of sterling in relation to the dollar is approximately 30 per cent.

Every country has three choices as to what it will do in the present circumstances—

First, it may keep its existing exchange rate with sterling, in which case it would need to devalue (or depreciate) its currency in terms of dollars to the same extent that Britain has done.

Secondly, any country could keep the present rate of exchange with the United States, in which case it would need to *appreciate* its own exchange in relation to sterling (that is, increase the exchange value of its own currency as against sterling).

Thirdly, it could take a middle course. For example, it could devalue its currency by 15 per cent. in terms of dollars and appreciate its currency 15 per cent. in terms of sterling, instead of making the whole 30 per cent. adjustment one way or the other.

The decision on the respective courses will be made according to the circumstances of each particular country. It is likely that the majority of the countries in the sterling area will alter their rate with the dollar to the same extent as the alteration made by the United Kingdom.