at Lake Success, that Britain could get through on her own. I think he spoke rather early, but, at any rate, that showed that Britain was on the road to achieving what she had planned to achieve. During 1948 her exports were the largest in volume since 1939. In fact, I think it is correct to say that her exports were, in volume, a record. Never before had such a quantity been sent out of the United Kingdom in any one year.

Dollar Deficit Analysed

Now I come to the dollar deficit. The United Kingdom had achieved an over-all balance of payments, but there still remained a huge dollar deficit. In 1948 the deficit of the sterling area in dollars was £423,000,000. To the extent that the deficit was not covered by assistance from the dollar countries or dollar credits from other sources, there was a drain on the gold and dollar reserves of the sterling area, of which Britain is traditionally the centre. Those reserves fell, between the 31st March, 1948, and the 30th June, 1949, from £552,000,000 to £406,000,000, and the decline was continuing at a rate which would soon have exhausted the funds had prompt remedial measures not been taken. In spite of the export drive, which produced remarkable results, and in spite of the dollar cuts, the restrictions, austerities, and other measures taken, and the beneficial effects on productivity of loans under Marshall Aid, the sterling area had in 1948 a gold and dollar deficit, which I have already mentioned, and which I re-emphasize, of £423,000,000. Even then the volume of imports into the United Kingdom in 1948 was only 80 per cent. of the 1938 level. The exports, if my memory is right, were approximately 50 per cent. above pre-war level in volume.

In the first quarter of 1949 there was no further loss of gold and dollar reserves. There was actually a slight rise in the reserves, but in the second quarter the position grew worse, and continued into the September quarter, which we are in now. In the second quarter there was a net gold and dollar deficit of £157,000,000, or, on an annual basis, of £628,000,000. That meant that Britain was unable to pay her way on an annual basis to the extent of £628,000,000. Receipts of Marshall Aid were insufficient to meet the deficiency, and by the 30th June, 1949, the United Kingdom's reserves declined, as I have mentioned, to £406,000,000. The main reasons were—

(1) Because of the recession of trade in the United States (with a decline in buying and in prices), sales of sterling exports lagged.

(2) The United States stopped buying strategic materials for stock-piling purposes (rubber and other items), about which I may give information later.