(3) American buyers were delaying their purchase of sterling goods in anticipation of a devaluation of sterling; they obviously assumed that after devaluation they would be able to buy with lesser sums of money. And there is not a way in which you can persuade anyone to pay £5 to-day for something which he thinks he can buy to-morrow for £4.

Those were the circumstances facing everybody who might be desirous of buying from the United Kingdom. Holders of sterling who were entitled to convert into dollars hastened to exercise their right in order to obtain dollars on the value then offering. That was the second depletion outside the trade factor. On top of that there were unexpected high payments of gold to meet the deficit of trade with Belgium, Switzerland, and the Bi-zone of Germany in accordance with the terms of "Payments Agreements" with those countries.

Measures to Bridge Dollar-Sterling Gap

There were other proposals to bridge the gap. As a result of the decisions made at the conferences to which I have referred, the following measures have been decided upon, and some have already been given effect to—

(1) To increase the technical efficiency of United Kingdom industry;

(2) To keep down production costs in the United Kingdom, including wages;

(3) To encourage exports to the dollar area by every possible means;

(4) To reduce the United States tariffs and simplify the United States Customs procedure;

(5) To encourage tourist traffic;

(6) The United States to renew its buying for stock-piling purposes (personally I do not think that is other than a temporary expedient, because when the stock-pile is filled you still have your problem facing you);

(7) Development of the dollar-earning capacity of the Colonies.

Other measures include—

(*a*) *The Saving of Dollar Expenditure.*—The idea was to cut further the purchases of goods from the dollar area, as announced in London by Sir Stafford Cripps, to the extent of 25 per cent., and that is where our co-operation was requested.

(*b*) *The development of alternative sources of supply within the sterling area, of goods now bought with dollars from the dollar countries.*—That is being developed to the maximum, and I think it will have some effect.