



His Excellency
Dr. Bjarni Benediktsson

WITH THE COMPLIMENTS
OF
HER MAJESTY'S AMBASSADOR.

BRITISH EMBASSY,
REYKJAVIK.

21 November, 1967

BROADCAST BY THE PRIME MINISTER,
H. HAROLD WILSON,
19 NOVEMBER, 1967

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In our view it would have been irresponsible to go on dealing with these successive waves of speculation by borrowing for three months, six months, at a time, without attacking the root cause of the speculation. Failure to attack the root cause would have meant trying to borrow, this time, in conditions in which our creditors abroad might well insist on guarantees about this or that aspect of our national policies. Last weekend the Government decided that we were not prepared to accept any solution which placed rigid limitations on the ability of our people and government to solve our problems by our own exertions: that we could not accept restrictions on our national growth, on industrial expansion, on our determination to achieve and maintain full employment. We are determined to break out from the strait-jacket which has constricted us, under successive governments for fifteen years, a strait-jacket which meant that every time we tried to solve our problems by expanding production, by

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TEXT OF BROADCAST BY THE PRIME MINISTER,
MR. HAROLD WILSON,
ON 19 NOVEMBER, 1967

Since the Cabinet, last Thursday, took its unanimous decision to devalue sterling, it has been impossible for me to speak to you because of the need for secrecy while this tremendous international monetary operation was being carried through. Now I can tell you why we have taken this action and, more important, what it means. Because we had to maintain silence there have inevitably been rumours, some of them very strong, that we were taking a different course.

It would have been possible to ride out this present tide of foreign speculation against the pound sterling by borrowing from central banks and governments abroad, banks and governments to whom I pay tribute for their help and co-operation over these past years.

In our view it would have been irresponsible to go on dealing with these successive waves of speculation by borrowing for three months, six months, at a time, without attacking the root cause of the speculation. Failure to attack the root cause would have meant trying to borrow, this time, in conditions in which our creditors abroad might well insist on guarantees about this or that aspect of our national policies. Last weekend the Government decided that we were not prepared to accept any solution which placed rigid limitations on the ability of our people and government to solve our problems by our own exertions: that we could not accept restrictions on our national growth, on industrial expansion, on our determination to achieve and maintain full employment. We are determined to break out from the strait-jacket which has constricted us, under successive governments for fifteen years, a strait-jacket which meant that every time we tried to solve our problems by expanding production, by

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mobilising the efforts and skill of our people on the basis of full employment, the immediate result was a desperate trade and payments deficit. The deficit we inherited three years ago, over eight hundred million pounds sterling, was itself the result of an attempt by our predecessors to fight their way out of this dilemma by an unrestrained boom. For three years we have fought, and it was our duty to fight, to overcome that deficit, and to maintain the external value of sterling. No one could doubt, at home and abroad, our determination to win through. No one will under-rate what we have had to do in that fight. Nor the heavy price we have paid. And have had to ask the country to pay. By our policies, by the efforts of our people, we had reduced that deficit last year to less than a quarter. Our exports had risen at about double the rate of the past few years and we were all set to get into balance, indeed surplus, this year. But there was never enough margin to meet the chance and change of world events. Nor to guarantee the repayment of the vast borrowing we had incurred to pay for the deficit we found on taking office. I am not going to go into all the details of the events which this year have once again put us in the red - the heavy cost to our trade and payments of the war in the Middle East, the temporary disruption of our exports by the dock strikes. Tonight is not the time to attribute blame - to the policies of the last government or this government, to unofficial strikers, or to the manoeuvring of speculators at home and abroad. But all along we had to face this. Exports, even our increasing exports, could not earn enough to meet the successive waves of speculation against sterling. Time was needed to restructure and modernise our industries, to build up our trade - and we have been doing this at a rate almost double what was previously achieved.

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Time was needed to cut down our overseas defence commitments too. That time was denied us. Whenever Britain ran into short-term difficulties some sold sterling in a panic, while others gambled against us in the hope of a quick gain. And all this, even though our basic position was showing a steady improvement. Take the seamen's strike last year. There was a tidal wave of pressure on the pound sterling and yet, grievous though that strike was, it did not prevent us over the year as a whole from reducing our deficit to less than two hundred million pounds sterling against the eight hundred million pounds sterling deficit we took over two years earlier. Even so, we had to take the measures of July 1966. The problem is this: we, Britain, are a major trading country, and like any business firm our financial position depends on how much we sell to others, but because we are also an international bank, and because sterling is an international currency, it is subject to speculative attacks for short-run reasons which have nothing to do with Britain's trading position. Our decision to devalue attacks our problems at the root, and that is why the international monetary community have rallied round with a display of formidable strength to back the operation. This backing is, of course, to deter the speculators, not for us to live on. That is why it does not involve unacceptable conditions. Tonight we must face the new situation. First what this means, From now the pound sterling abroad is worth fourteen per cent or so less in terms of other currencies. It does not mean, of course, that the pound sterling here in Britain, in your pocket or purse or in your bank has been devalued. What it does mean is that we shall now be able to sell more goods abroad on a competitive basis. This is a tremendous opportunity for all our exporters, and for many who have not yet started to sell their goods overseas, but it will also mean that the goods we buy

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from abroad will be dearer and so, for many goods, it will be cheaper to buy British. One of the great problems we in Britain have had over these past five or six years has been the great increase year by year in imports of goods manufactured abroad. Farm production will be stimulated and we will be able to do more to replace food imported from abroad. Saving imports, and still more the export drive, will mean that industrial production will go up. Many industries and firms which are now working below capacity will have a chance to get into full production. This means more work - more jobs in the development areas, because we intend to be ruthless in diverting new enterprises to those areas. But all this will be at a cost - at any rate for a time. The needs of the export drive will mean that we have got to shift five hundred million pounds sterling of our national output into exports, and import-saving. That is why we are tightening the control on bank lending except for priority borrowers such as exporters. Bank rate is being raised to eight per cent for as long as is necessary. Hire purchase has been tightened on cars, an industry which can now go out and get an immediate boost to its exports. We are cutting back public expenditure. We are making further sharp cuts in defence spending, effective in this coming year. There will be cuts in the capital expenditure programmes of some of the publicly-owned industries, and the other cuts in public expenditure the Chancellor announced last night. But the priority programmes of housing, school building and hospital building will be safeguarded in all these measures, and the job of bringing work to development areas will be given a still higher priority. I have said that imports will cost more, and this means higher prices over a period for some of our imports including some of our basic foods. It is vital that price

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risers are limited to those cases where increased import costs make this unavoidable. Our people will not tolerate traders who are not affected by import costs trying to cash in by unjustifiable price increases. We shall keep a very tight watch on prices and we shall use the powers we have under the prices and incomes act. It is just as vital that any prices that do go up are not used as an excuse for excessive wage demands. Because that would simply increase our export costs and this would cut into the benefit our export industries have now got: with all that would mean for trade and at the end of the day for employment. The Government for our part, in addition to our policy for prices, will keep a strict watch on dividends. The Corporation Tax on profits is to be increased. We will do everything in our power to create the climate in which an effective prices and incomes policy can be pursued by those whose job it is. And this must mean rents. The Government have decided to refer to the national board for prices and incomes certain council rent increases. We are particularly after those cases where the increases seem exceptionally steep and provocative. It is the duty of the Government to ensure by special measures that when burdens have to be borne those who are liable to be hardest hit are protected. Your Government will fulfil that duty. Devaluation has been a hard decision and some of its consequences will themselves be hard, for a time. But now the decision has been taken, we - all of us together - must now make a success of it. We must take with both hands the opportunity that has now been presented to us. Our exporters, industrial managers, our salesmen - and what a chance they've got now - our workers in every industry, our scientists and engineers, our designers, the professionals responsible for our invisible earnings are now on their mettle. Any who fail through laziness or self-seeking, any who frustrate

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the work of others by unofficial strikes will imperil the right to work not only for themselves, but for the nation. I have told you what led to this decision. I told you the alternative which we could have sought and why we rejected that alternative. This is a proud nation. As I have said we have the chance now to break out from the strait-jacket of these past years. We're on our own now. It means Britain first.