

FOR PRESS

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UNITED KINGDOM ECONOMIC MEASURESComment by the Prime Minister, Mr. Harold Holt

It is obvious that the immediate purpose of the United Kingdom measures is to strengthen their Balance of Payments and thereby improve the position of sterling.

The measures are designed to do this mainly by achieving what Mr. Harold Wilson called a "shake-out which will release the nation's manpower, skilled and unskilled, and lead to a more purposive use of labour for the sake of increasing exports and giving effect to other national priorities."

We have a fundamental interest in the soundness and progress of the United Kingdom economy and in the strength of sterling, of which we are a large holder. We are glad to see this evidence of British determination to keep sterling strong and wish the measures success in their objectives.

As Mr. Wilson pointed out, British exports had been rising until the recent seamen's strike. At the same time also imports had been rising, and this was without doubt a consequence of the high level of domestic demand. What the measures seek to do is to impose widespread restraint on domestic demand and through this secure a re-deployment of labour and other resources.

Taken with the recent rise in bank rate, the measures should have a fairly strong restraining effect. While it is too early to make firm forecasts, we may feel some adverse effect of this through the impact on commodity prices.

The more direct measures to strengthen the United Kingdom Balance of Payments by reducing Government expenditure overseas includes action on military expenditure.

This has, of course, been under discussion for some time. Mr. Wilson has made it clear that the savings will be sought without altering the basic lines of external policy, stated in their defence White Paper.

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