

THE ECONOMIC CONSEQUENCES OF STERLING PARITY

CHAPTER I

WHY BRITISH UNEMPLOYMENT IS WORSE

WORLD trade and home consumption are both moderately good—running on a level keel, midway between slump and boom. The United States has had a year of abundant prosperity; India and the Dominions are doing fairly well; in France and Italy unemployment is non-existent or negligible; and in Germany during the last six months the numbers receiving the dole have decreased rapidly, by more than half, to 4.5 per cent. against 12 per cent. in Great Britain. The aggregate of world production is probably greater than at any time since 1914. Therefore our troubles in Great Britain are not due either to world-wide depression or to reduced consumption at home. And it is obvious what does cause them. It is a question of *relative price* there and abroad. The prices of British exports in the international market are too high. About this there is no difference of opinion.

Why are they too high? The orthodox answer is to blame it on the working-man for working too little and getting too much. In some industries and some grades of labour, particularly the unskilled, this is true; and other industries, for example the railways, are over-staffed. But there is no more truth in it than there was a year ago. Moreover, it is not true in those export industries where unemployment is greatest.

On the contrary, the explanation can be found for certain in another direction. For we know as a fact that the value of sterling money abroad has been raised by 10 per cent., whilst its purchasing power over British labour is unchanged.