Devaluation, Exports, and Recovery from the Great Depression

CFM-DP2024-03

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This paper evaluates how a major policy shift - the suspension of the gold standard in September 1931 - affected employment outcomes in interwar Britain. We use a new high-frequency industry-level dataset and difference-in-differences techniques to isolate the impact of devaluation on exporters. At the micro level, we find that the break from gold reduced the unemployment rate by 2.7 percentage points for export-intensive industries relative to more closed industries. At the aggregate level, this effect stimulated the labor market, the fiscal outlook, and economic growth. Devaluation was therefore an important initial spark of recovery from the depths of the Great Depression.