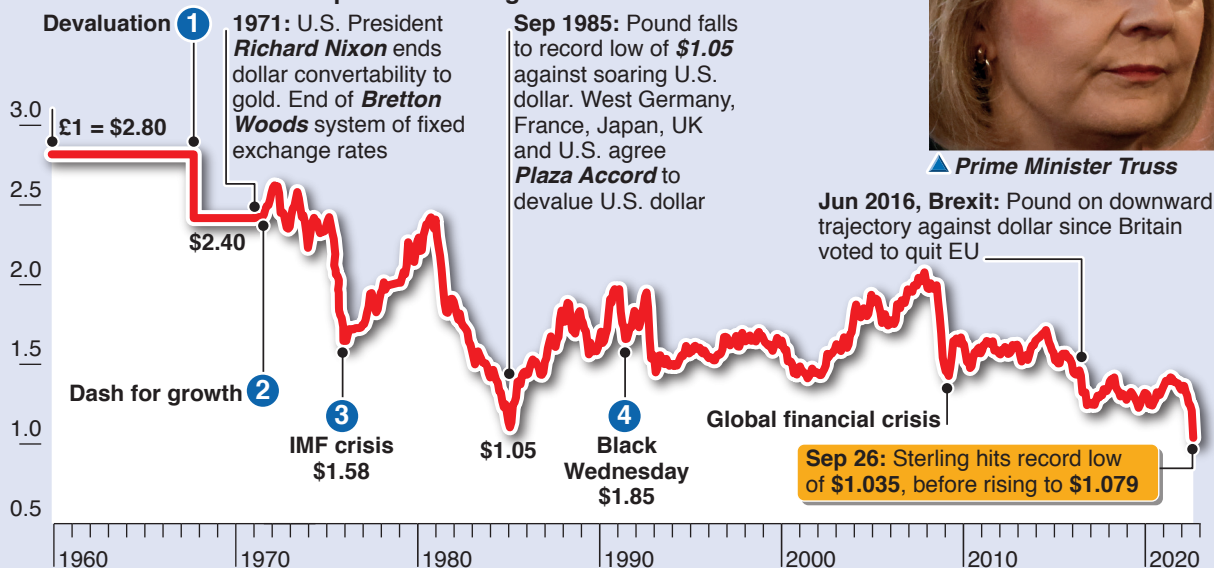


# UK's currency crises, crashes

Three weeks into her premiership, British Prime Minister Liz Truss finds herself scrambling to stay ahead of events as market reaction to her plan to increase government borrowing to pay for tax cuts sends the pound tumbling to an all-time low



▲ Prime Minister Truss



**1 Nov 1967, Devaluation:** Facing **£800 million** deficit, Labour Prime Minister **Harold Wilson** backs devaluation of sterling from **\$2.80 to \$2.40**. Wilson is ridiculed for telling nation on TV that "pound in your pocket" is not worth less. **Labour loses next election**

**2 Mar 1972:** Conservative Prime Minister **Edward Heath** supports "dash for growth" budget, which includes massive package of unfunded tax cuts. Inflation soars before economy collapses into recession. **Conservatives lose next election**

**3 Oct 1976:** With inflation topping **25%**, pound falls to low of **\$1.58**. **James Callaghan's** Labour government borrows **\$3.9 billion** from IMF, in exchange for increases in taxation and deep spending cuts. **Labour loses next election**

**4 Sep 1992:** Collapse in pound sterling forces Britain to crash out of European Exchange Rate Mechanism (ERM), after failed bid to keep sterling above lower ERM limit. Crisis costs Prime Minister **John Major's** Tory government **£3.3bn**. **Conservatives lose next election**