

brought practically back to par, and the United Kingdom resumed gold payments in 1925 and Canada on July 1, 1926. From then until 1928 the exchanges were within the gold points, but in 1929 the Canadian dollar again fell to a moderate discount in New York.

Recent Movements in Canadian Exchange.*—Because Canada has no foreign exchange mechanism of her own, Canadian transactions in exchange and monetary gold have been governed by New York and London. The United Kingdom buys much more from Canada than Canada buys from her, but the reserve is the case as regards the trade between Canada and the United States. The result is that there is a supply of bills on London in excess of the amount needed to meet current obligations in the United Kingdom. By offering these for sale for United States funds in London or New York, a triangular balance is approximated by book transactions and without the cross transfers of the larger quantities of gold which would otherwise be necessary. The volume of sterling exchange on Canadian account thus passed to the New York market does not greatly influence New York rates of sterling exchange under normal conditions; on the contrary, the volume of the New York-London transactions is sufficient to carry the Canadian rates along with them. Canadian exchange transactions with other countries are handled through London or New York and are unimportant of themselves, depending on the relationships with Canadian-New York and Canadian-London transactions. †

In September, 1931, the equilibrium of international exchange was seriously disturbed. This unfortunate turn of events followed a period of over six years during which the nations of the world had worked steadily towards the stabilization of their currency systems upon a gold basis. Within two months of the time when the United Kingdom found it necessary to suspend free gold shipments, however, only a very small number of countries, including the United States and France, were left with currencies unshaken by preceding abnormal gold movements. The decision of the United Kingdom to go off the gold standard (Sept. 21, 1931) resulted in a sharp depreciation of sterling in New York, and partly owing to the triangular nature of the situation, but in some measure due to the immediate withdrawals of funds from Canadian banks by United States interests, short selling of Canadian exchange and other influences, Canadian rates depreciated also and fluctuated broadly with sterling until the United States dollar dropped from the ranks of gold standard currencies on April 19, 1933.†

During the balance of that year, the premium on United States dollars at Montreal gradually diminished from approximately 20 p.c. until in November it was replaced by a small discount of about 1 p.c. The pound sterling meanwhile advanced from \$4.234 in April to \$5.082 in November. The course of foreign exchanges throughout 1934 was more stable than it had been since 1931. Sterling reacted gradually until it reached its former parity of \$4.866 in September, and subsequent fluctuations centered around that level. This movement was accompanied by minor irregular changes in the United States dollar, which regained a fractional premium early in 1935. The Montreal premium on gold currencies has risen until it stood in the early part of 1935 at approximately 65 p.c.

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†The U.S. dollar was subsequently replaced on a gold basis on Jan. 31, 1934, but the gold content of that dollar was reduced from 23.22 grains to $15\frac{5}{32}$ grains, or $\frac{1}{35}$ of an ounce. The new U.S. gold dollar, therefore, has a gold content equal to 59.06 p.c. of that of the former gold dollar.