Section 5.—Foreign Exchange.*

The Canadian dollar, adopted as Canada's currency in 1857, was equivalent to 15/73 of the pound sterling; in other words, the pound was equal to \$4·866 in Canadian currency at par, and remained so, with minor variations between the import and export gold points representing the cost of shipping gold in either direction, until the outbreak of the Great War. During the first eleven years after Confederation, the Canadian dollar was at a premium in the United States, as the United States dollar was not, after the Civil War, redeemable in gold until 1878. From the latter date, the dollar in the two countries was equivalent at par, and variation was only between the import and export gold points or under \$2 per \$1,000.

At the outbreak of the Great War, both the pound sterling and the Canadian dollar were removed from the gold standard and fell to a discount in New York, though this discount was 'pegged' or kept at a moderate percentage by sales of United States securities previously held in the United Kingdom, by borrowing in the United States, and, after the United States entered the War, by arrangement with the United States Government. After the War, when the exchanges were 'unpegged' about November, 1920, the British pound went as low as \$3·18 and the Canadian dollar as low as 82 cents in New York. In the course of the next year or two, exchange returned practically to par, and the United Kingdom resumed gold payments in April, 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. The dislocation of exchange persisted, with the exception of a few months in the latter half of 1930, into 1931. Dollar rates were below the gold export points, however, only for a few scattered intervals. Fluctuations since September, 1931, are dealt with below.

Recent Movements in Canadian Exchange.—In September, 1931, the equilibrium of the 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. Canadian rates depreciated also, and fluctuated broadly with sterling until the United States dollar dropped from the ranks of gold standard currencies on Apr. 19, 1933.

Since that time major adjustments have occurred in practically all currencies of the world. The United States dollar was replaced on a gold basis, but was devalued at 59·06 p.c. of its former gold parity ($13\frac{5}{7}$ grains or $\frac{1}{35}$ oz. of gold to the dollar as against 23·22 grains previously) on Jan. 31, 1934, with other countries following suit at irregular intervals until the final break-up of the European gold 'bloc' in September, 1936. These countries, including France, Belgium, and Switzerland, were the last to abandon post-War gold standards established between 1925 and 1927. During 1936, the United States dollar and the Canadian dollar fluctuated narrowly

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