

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.

The 1942 Year Book at pp. 829-830 deals with the pre-war position of Canadian exchange from September, 1931, to the outbreak of War.

At the beginning of the War of 1939-45 sterling and Canadian funds, like those of the other initial belligerents, fell to a discount at New York. The pegged official rates remained unchanged throughout the War. On July 5, 1946, the Canadian Government devalued the United States dollar in relation to the Canadian dollar bringing it to parity with the former. A corresponding adjustment was made to sterling, the rate being established at \$4.02 to the pound.

Subsection 2.—The Foreign Exchange Control Board*

Wartime controls exercised by the Foreign Exchange Control Board are dealt with on pp. 833-835 of the 1941 Year Book and at pp. 830-833 of the 1942 edition. In March, 1946, the Board published a report covering the main aspects of its operations from September, 1939, to the end of 1945, a summary of which may be found at pp. 981-983 of the 1946 Year Book. In April, 1947, the Board's Report covering operations in 1946 revealed that Canada's gold and United States dollar reserves totalled \$1,245,000,000 at the end of that year, a decline of \$263,000,000 from 1945.

Relationship of the Board's Functions to the Balance of International Payments.—The basic factor affecting the Canadian exchange position is, of course, the balance of international payments. This subject is dealt with in detail in the Foreign Trade Chapter, at pp. 901-911. In 1946, the flow of Canadian import and export trade maintained the traditional pattern of a large import surplus from the United States and a large export surplus to the United Kingdom and Western Europe. The current account deficit in transactions with the United States reached an all-time high of \$603,000,000: however, \$237,000,000 of this deficit was covered by gold and United States dollars received in transactions with other countries. Inflows of capital to Canada produced an additional \$103,000,000 leaving \$263,000,000 as the amount necessary to cover out of gold and United States dollar reserves.

Canada had a current account surplus in trade with the Sterling Area in 1946 of more than \$657,000,000 (excluding Mutual Aid); \$150,000,000 of this was financed by the sale of gold by the United Kingdom to Canada. The bulk of the balance was financed by net credits and advances by Canada to the United Kingdom.

Transactions with countries other than the United States and the Sterling Area showed a balance in Canada's favour of about \$400,000,000. Approximately \$100,000,000 of this amount represented relief and mutual aid shipments for which no payment was received; \$210,000,000 was financed by Canadian export credits; and \$90,000,000 was paid by countries concerned in United States dollars.

The substantial gold and United States dollar reserves which Canada had accumulated at the end of the War provided a breathing space and enabled Canada to make imports for cash and, at the same time, substantial exports on credit to assist

* Revised by R. H. Tarr, Secretary, Foreign Exchange Control Board, Ottawa.