

At the outbreak of World War I, the United Kingdom and Canada suspended the gold standard, and their currencies fell to a discount at New York. However, 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', the British pound went as low as \$3.18 and the Canadian dollar as low as 82 cents at 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 as did Canada on July 1, 1926. Until 1928 the exchanges were within the gold points, but in 1929 the Canadian dollar again fell to a moderate discount at 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. Immediately on the outbreak of World War II in September 1939, the United Kingdom and other sterling countries introduced foreign exchange control, involving fixed buying and selling rates which were \$4.02½ and \$4.03½, respectively, in terms of the U.S. dollar. Meanwhile, the Canadian dollar declined gradually until Sept. 16, 1939, when the Government established the Foreign Exchange Control Board. Fixed buying and selling rates were provided for United States funds and sterling at the outset, being \$1.10 and \$1.11 and \$4.43 and \$4.47, respectively. The former rates fixed the value of the Canadian dollar at 90.09 cents to 90.91 cents in terms of the U.S. dollar; this was approximately the market rate to which the Canadian dollar had fallen just prior to exchange control and, in terms of devaluation, represented a level midway between the U.S. dollar and sterling.

Apart from a minor adjustment on Oct. 15, 1945, when selling rates for U.S. dollars and sterling were lowered to \$1.10½ and \$4.45, respectively, the Foreign Exchange Control Board's official rates remained unaltered until July 5, 1946. At this time, the rate on the U.S. dollar was restored to par with buying and selling rates for U.S. dollars at \$1.00 and \$1.00½ and sterling, \$4.02 and \$4.04. These rates continued in effect until Sept. 19, 1949, when, following a 30.5 p.c. reduction by the United Kingdom in the value of sterling to \$2.80 U.S. (which action was paralleled in varying degrees by numerous other currencies), Canada returned to the former official rates of \$1.10 and \$1.10½ for United States funds; sterling was quoted at new rates of \$3.07½ and \$3.08½, based on the New York cross rate.

On Sept. 30, 1950, the Minister of Finance announced that official fixed foreign exchange rates, that had been in effect at varying levels since 1939, would be cancelled effective Oct. 2 and that rates of exchange would be determined by conditions of supply and demand for foreign currencies, i.e., by market trading within the framework of exchange control. Subsequently, the U.S. dollar fell to a level between \$1.04 and \$1.05 in terms of Canadian funds in early December 1950. After strengthening in the second quarter of 1951, it declined to between \$1.01 and \$1.04 in December 1951.

The foregoing review is exclusive of the free market for Canadian dollars in New York which existed until the suspension of fixed rates. The Foreign Exchange Control Board permitted transfers, between non-residents, of Canadian dollars that were not convertible into foreign exchange at official rates; these consisted of non-resident owned bank balances, augmented by receipts from maturing capital obligations to non-residents in Canadian funds and certain restricted payments