

1933, the United States moved towards resumption of the gold standard. As of Feb. 1, 1934, the United States Treasury undertook to buy all gold offered at \$35 per ounce. After that the exchange rate between the Canadian and United States dollar stabilized. Until the outbreak of war in 1939 much of the trading was conducted within one cent of parity although the Canadian dollar in New York did go as high as 103.6 cents (September 1934) and as low as 98.0 cents (September 1938).\*

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 of \$4.02½ and \$4.03½ respectively in terms of the U.S. dollar. The Canadian dollar in New York declined until Sept. 16, 1939, when the Government instituted foreign exchange control† in Canada and established fixed buying and selling rates of \$1.10 to \$1.11 for the U.S. dollar and \$4.43 to \$4.47 for sterling. As compared with previous months the depreciation of the Canadian dollar in terms of United States funds was approximately half as great as that of the pound 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 official rates for the Canadian dollar remained unchanged until July 5, 1946. At that time the rate on the U.S. dollar was restored to par, with buying and selling rates for that currency of \$1.00 to \$1.00½ and for sterling \$4.02 to \$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. (an action which 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 \$3.07¼ and \$3.08¼ on the basis of the New York cross rate.

On Sept. 30, 1950, the Minister of Finance announced that official fixed foreign exchange rates which had been in effect at varying levels since 1939 would be withdrawn effective Oct. 2. Since then the Government's policy has been to allow the rate to be determined by the normal play of economic forces without official intervention by the Exchange Fund Account except to ensure orderly conditions in the foreign exchange market. No attempt is made to reverse persistent trends, but only to smooth out excessive short-run fluctuations.

Until Dec. 14, 1951, this policy was carried out within the framework of exchange control. On that date the Foreign Exchange Control regulations were revoked by the Governor in Council and new regulations were passed which exempted all persons and transactions from the various requirements of the Foreign Exchange Control Act. These actions terminated exchange control in Canada and the Foreign Exchange Control Act was repealed in 1952.

The movements of the U.S. dollar in Canadian funds from January 1951 to the end of 1957 are shown on the following chart. After the major change that occurred in the latter half of 1951 and the first three quarters of 1952, the U.S. dollar fluctuated within a comparatively narrow range between a low of 95.9 cents in September 1952 and a high of 100.1 cents in November 1955. In the second quarter of 1956, however, the U.S. dollar began to weaken and this movement continued into the third quarter of 1957. The previous postwar low (95.9 cents) was passed in November 1956 and by August 1957 the U.S. dollar had fallen to 94.2 cents, a record low for the present century. In the last four months of 1957 the U.S. dollar rose again to close the year at 98.4 cents.

\* Noon quotations. Daily highs and lows may have exceeded these rates.

† The operations of the Foreign Exchange Control Board from the time of its establishment to the termination of exchange control in December 1951 are reviewed in previous editions of the Year Book.