

adian currency the equivalent of the United States dollar at parity. With minor variations between the import and export gold points representing the cost of shipping gold in either direction, the value of the pound sterling in Canada remained at this level until the outbreak of World War I. The United States dollar, on the other hand, was at a discount in terms of Canadian funds for the first eleven years after Confederation since it was not redeemable in gold from February 1862 to January 1879. On the basis of gold equivalents it would appear that the greatest monthly average discount on the United States dollar after Confederation was approximately 31 p.c., reached in August 1868. From 1879 to 1914 the dollars of the two countries remained at par, varying only within the gold points or under \$2 per thousand.

On the outbreak of World War I, Canada and Britain suspended the gold standard. For some weeks both the pound and the Canadian dollar rose to a premium in New York. Subsequently both fell back with the pound going to a slight discount. In January 1916 the pound was officially pegged at \$4.76 in American funds. This level was maintained with the help of funds realized by sales of United States securities owned by residents of Britain, by borrowing in the United States and, after the American entry into the War, by the United States Government financing Allied purchases in that country.

From 1915 to the end of 1917, fluctuations in the rate of exchange between the Canadian and United States dollars did not exceed 2 p.c. on either side of parity; the pound was stable in terms of United States dollars during this period. In 1918 the Canadian dollar began to weaken. After the pound was unpegged in 1919, the Canadian dollar declined further and in 1920 it fell to 82 cents in New York with sterling going as low as \$3.18.

By the latter half of 1922 the Canadian dollar had returned practically to par in New York. Despite some further weakness in sterling, the dollar remained close to that level during the next two years, averaging 98.04 and 98.73 cents in terms of the United States dollar in 1923 and 1924, respectively, and fluctuating between a discount of about 3.6 cents and a premium of approximately 0.4 cents. After Britain resumed gold payments in April 1925, the range of fluctuation of the Canadian dollar narrowed further. From Canada's return to the gold standard in the period July 1, 1926 to January 1929, the exchange rate remained within the gold points. The Canadian dollar then went to a slight discount in New York. With the exception of the period July to November 1930, when it went to a small premium in New York, the dollar remained below parity until Britain abandoned the gold standard in September 1931. After that month the pound sterling depreciated sharply and the Canadian dollar followed, reaching lows\* in New York of 80.5 cents in December 1931 and 82.6 cents in April 1933.

Following the prohibition of gold exports in the latter month by the United States, the pound and the Canadian dollar strengthened rapidly in terms of American funds. By November 1933 both currencies had reached a premium in New York. Meanwhile, in a series of steps beginning with permitting the export of newly mined gold in August 1933, the United States moved toward 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 dollars 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, Britain 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 United States 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

\* 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 the 1941 to 1952-53 editions of the Year Book.