

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.

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 the latter to parity with the former.

A corresponding adjustment was made to sterling, the rate being established at \$4.02 to the pound.

Subsection 2.—Wartime Control of Foreign Exchange

The Foreign Exchange Control Board.—The wartime controls exercised by the Foreign Exchange Control Board are dealt with at pp. 833-835 of the 1941 Year Book and the modifications of policy during the early years of operation are dealt with at pp. 830-833 of the 1942 edition.

Since the end of hostilities, the Board has published a report covering the main aspects of operations from September, 1939, to the end of 1945, and the following summary is made therefrom.

The basic factor affecting the Canadian exchange position is, of course, the balance of international payments. This subject is dealt with in the External Trade Chapter, at pp. 560-69. The Canadian balance of international payments has been characterized by pronounced instability from year to year. This is the primary cause of wide swings in the exchange cycle and the reason why, during the critical days of the War, gold and United States dollars had to be husbanded so carefully. The need for care still exists and Government machinery for the peacetime continuation of the controls in a modified form will continue to function.

The main wartime effort of exchange control was to maintain sufficient reserves of gold and United States dollars. By January, 1942, Canadian reserves of gold and United States dollars which had amounted to about \$400,000,000 at the outbreak of the War had slumped to \$175,000,000—enough to cover only six weeks' import needs. By the end of 1945, total holdings had been built up to \$1,500,000,000. The principal factors contributing to this result were:—

- (1) Foreign Exchange Acquisition Order (Apr. 30, 1940), which required residents of Canada to sell foreign currency owned by them to the Foreign Exchange Control Board. Gold holdings of the Bank of Canada amounting to \$205,200,000 were also transferred.