

through their parent companies. A few of the larger companies have supplemented their bank loans by selling short-term paper in the market but the amount has been small compared with the short-term market borrowing of the sales finance companies. The smaller independent companies rely mainly on their shareholders and on borrowing from the chartered banks.

Annual figures of assets and liabilities given in Table 19.23 for 1971 and 1972 are from the Department of Insurance report. More complete data on the business of licensed lenders are given in the report on small loans companies and money-lenders, published annually by the Superintendent of Insurance.

There was a marked decrease in 1972 compared with 1971 in the number and amount of small loans made by the combined companies. Small loans made to the public during the year numbered 867,060 as against 917,652 in 1971, a drop of about 6%; the amount of such loans decreased from \$573.2 million to \$539.4 million, a drop of about 6%. The average small loan made was \$622 in 1972 and \$625 in 1971. At the end of the year, small loans outstanding numbered 758,979 for an amount of \$383.1 million, or an average of \$505 per loan; comparable figures for 1971 were 875,366, \$439.6 million and \$502, respectively.

Gross profits of small loans companies and money-lenders before income taxes and before taking into account any increase or decrease in reserves for bad debts increased from \$59.8 million in 1971 (\$233,000 being the profit on small loans and \$59.6 million the profit on business other than small loans) to \$64.7 million in 1972 (\$344,000 being the loss on small loans and \$65.0 million the profit on other business).

19.2.3 Foreign exchange

The dollar was established as the official currency of the united provinces of Canada on January 1, 1858, and extended to cover the new Dominion by the Uniform Currency Act of 1870. The gold sovereign remained the standard for the Canadian dollar until 1910 when the currency was defined in terms of fine gold, making it the exact gold equivalent of the United States dollar. Both British and US gold coins, however, were legal tender in Canada during this period.

The 1870 Act defined the Canadian dollar as 15/73 of the British gold sovereign, that is, the par rate of exchange between the dollar and the pound sterling was fixed at \$4.866, making the Canadian currency the equivalent of the US dollar at parity. With minor variations the value of the pound sterling in Canada remained at this level until 1914.

For a complete description of the fluctuations between the Canadian and US dollars up to 1950 see the *1972 Canada Year Book* pp 1252-1254.

On September 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 October 2, and that the rate would henceforth be determined in the market for foreign exchange. This policy was carried out within the framework of exchange control until December 14, 1951, at which time the Foreign Exchange Control regulations were revoked by the Governor in Council, terminating the period of exchange control that had prevailed in Canada since 1939. The Foreign Exchange Control Act was repealed in 1952. On May 2, 1962, the Minister of Finance announced that the Canadian dollar was being stabilized at a fixed par value of 92½ cents in terms of United States currency. This action was taken with the concurrence of the International Monetary Fund (IMF) and, in accordance with the Articles of Agreement of that organization, the Government of Canada undertook to maintain the Canadian exchange rate with a margin of 1% on either side of the established par value.

On May 31, 1970, the Government of Canada announced a decision not to maintain the exchange rate of the Canadian dollar within the 1% parity band prescribed by the IMF for the time being. The movements of the US dollar in Canadian funds from January 1966 to December 1973 are shown in Table 19.24. Details of Canada's official international reserves and of undelivered contracts in US dollars are presented in Table 19.25.

19.2.4 The bond market

Sales of Canadian bonds. A net total of \$6,593 million was raised in the bond market by Canadian federal and junior governments and corporate borrowers in 1972. This amount was approximately equal to that raised in 1971 and provincial governments accounted for 46% of this total with net new issues of \$3,034 million.

The \$3,034 million worth of new issues of provincial governments included \$954 million