

CHAPITRE XIV/CHAPTER XIV  
OPÉRATIONS DE CHANGE ET  
BALANCE DES PAIEMENTS INTERNATIONAUX  
FOREIGN EXCHANGE AND  
INTERNATIONAL BALANCE OF PAYMENTS

757.

PCO

*Extrait des conclusions du Cabinet*

*Extract from Cabinet Conclusions*

SECRET

[Ottawa], May 2, 1962

*Present*

The Minister of Agriculture,  
and Acting Prime Minister (Mr. Alvin Hamilton) in the Chair,  
The Minister of Public Works (Mr. Walker),  
The Secretary of State and President of the Privy Council (Mr. Dorion),  
The Minister of Northern Affairs and National Resources (Mr. Dinsdale),  
The Minister without Portfolio (Mr. Halpenny),  
The Secretary to the Cabinet (Mr. Bryce),  
The Assistant Secretary to the Cabinet (Dr. Hodgson).

EXCHANGE RATE AND EXCHANGE RESERVE FUND

1. *The Secretary to the Cabinet* reported that this meeting had been convened to enable Ministers to consider the exchange situation and the action, if any, that should be taken by the government at this time.

At the time of the Budget, in June 1961, the government had decided that the Canadian dollar, which then stood at a premium of about 4 per cent in terms of U.S. dollars, ought to move to a somewhat lower level. During the succeeding months the exchange rate had moved downward, partly as the result of the public statement then made by the Minister of Finance, and it had proved unnecessary to purchase U.S. dollars to force the rate down. Indeed between June and October 1st, 1961, about \$60 million of U.S. dollars had been sold from the Exchange Reserve Fund to prevent too sharp a fall in the rate. During October this trend was reversed, and U.S. dollars were purchased, but since that time the Fund had been selling U.S. dollars. In the month of January 1962 these sales had amounted to \$134 million, in February \$175 million and in March \$38 million. The market had been relatively stable during the first week of April 1962, but, thereafter, it had again been necessary to sell increasing quantities of U.S. dollars from the Fund. On April 27th, the sales for the day had amounted to about \$35 million, on April 30th about \$20 million, and on May 1st about \$36 million.

On April 27th, the Minister of Finance had met with his Deputy and with the Governor of the Bank of Canada to discuss this situation. A further meeting had been held on the following day, the Secretary to the Cabinet being present on this occasion. The Under-Secretary of State for External Affairs had also been consulted. On April 29th the Secretary to the Cabinet had reported orally to the Prime Minister on the situation and on alternative courses of action.

The recent developments in the exchange situation reflected movements in the balance of trade. The balance had improved last year as compared with the previous year; but this year, although exports had risen, imports had been rising more quickly. The international balance on