US foreign exchange 89% in 2025 ($9.6 trillion). What was the foreign exchange stats in 1926 and in 1826. was it UK pounds?

The global foreign exchange (FX) landscape in 1826 and 1926 was vastly different from today's **$9.6 trillion per day** market. While the **UK Pound Sterling** was the undisputed leader in 1826, by the mid-1920s, the **US Dollar** had already begun to overtake it as the world's primary reserve and trade currency.

1926: The Shift to the US Dollar

By 1926, the modern FX market as we know it—characterised by high-volume daily trading—did not yet exist, as most currencies were tied to the **Gold Standard**.

- **Dominant Currency**: While historical narratives often suggest Sterling led until WWII, recent data shows the **US Dollar** actually overtook the Pound as the leading international reserve and trade financing currency in the **mid-1920s**.
- **Exchange Rate**: In 1926, the average exchange rate was approximately **$4.86 per £1**.
- **Market Structure**: Most "trading" was for settling international trade in commodities rather than speculative profit. Central banks held most of their reserves in gold, with foreign exchange making up less than **30%** of global reserves.

1826: The Era of Sterling Hegemony

In 1826, the **UK Pound Sterling** was the world's premier currency, backed by Britain's overwhelming lead in global trade.

- **Dominant Currency**: The **UK Pound** was used to finance, invoice, and settle over **60% of global trade**.
- **Competitors**: Aside from Sterling, the **Spanish Silver Dollar** (Pieces of Eight) and **Dutch Guilder** were significant, but Sterling was the most stable and widely accepted.
- **Market Stats**: There are no "daily turnover" stats for 1826 because there was no centralized FX market. Trading was handled via physical exchange of coins or "bills of exchange" (handwritten credit notes) between merchant banks.
- **Growth Context**: Global trade in the early 19th century grew at roughly **4.8% per year**, but absolute volumes were minuscule compared to modern standards.

Summary of Dominance

Feature	1826	1926	2025/2026
Leading Currency	**UK Pound Sterling**	**US Dollar** (transitioning)	**US Dollar** (89%)
Monetary System	Emergence of Gold Standard	Restored Gold Standard	Floating Exchange Rates

Feature	1826	1926	2025/2026
Daily Turnover	Negligible/Physical Trade	High-level Trade Financing	**$9.6 Trillion**

In both 1826 and 1926, the **Gold Standard** acted as a global "anchor", meaning exchange rates weren't set by market traders but by the physical weight of gold each currency represented.

1826: The "Classical" Specie Era

In 1826, the system was literal and physical.

- **Physical Connection**: A British Pound was not just a piece of paper; it was legally defined as a specific weight of gold (approx. 113 grains of fine gold).
- **Fixed Rates**: Because the US Dollar also had a fixed gold definition, the exchange rate was mathematically "locked". If you had dollars, you could technically turn them into gold, ship the gold to London, and get pounds.
- **Stability**: This created nearly **zero volatility** in exchange rates, which is why the Pound could dominate 60% of world trade—merchants knew exactly what their money would be worth months later.

1926: The "Gold Exchange" Standard

By 1926, the system had become more "virtual" to handle the massive debts from WWI.

- **Currency as Gold**: Instead of every country holding physical gold bars, many smaller countries began holding **US Dollars** or **UK Pounds** as their "reserves," because those two were still "as good as gold".
- **The 1925 Return**: Britain had briefly left the gold standard during WWI but returned in 1925 at the **pre-war rate of $4.86**. This was a controversial move by Winston Churchill because it made British exports too expensive, leading to the 1926 General Strike.
- **Market Pressure**: While rates were still officially "fixed," the system was under immense strain. Central banks had to use high interest rates to stop gold from "leaking" out of their vaults to other countries.

Why it stopped working

- **Rigidity**: Governments couldn't print money to fight recessions because they didn't have enough gold to back it.
- **The End**: This inflexibility eventually caused the system to collapse during the Great Depression in the 1930s, as countries like the UK (1931) and US (1933) chose to "break the link" to save their domestic economies.

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