> tion, mutual exchange of products, and a common monetary standard (Clark, 1931(b), p. 762.).

With respect to the Canadian situation he stated,

> In view of the circumstances the decision to prohibit gold exports is probably a sound one. . . .We would be in a sounder position, however, if we had central banking machinery properly equipped and definitely responsible for the control of credit in an emergency of this character instead of the present anomolous condition of division of responsibility between the banks and the government and lack of special equipment or traditions in the Department of Finance (Clark, 1931(b), p. 761.).

At the risk of needless repetition, because the nature of the information environment from which the Bank of Canada emerged may have been more than adequately characterized, it may be best to draw upon one last source. In 1933, when the MacMillan Commission was deciding to recommend the formation of a central bank in Canada, *Queen's Quarterly* carried an article entitled 'The Proposal for a Central Bank'. This classic piece was ascribed to the Departments of Economics and Political Science at Queen's University. It was, then, in all likelyhood, subject to the influence of the four Queen's men whose works, at the suggestion of David Slater, have been cited here. The opinions expressed in that article bearing on the practical policy leading to the establishment of the Bank of Canada have to be given special weight. The article speaks for itself.

> There is no reason to believe that credit would be more plentiful after a central bank had been added to our monetary machinery than before . . .It is safe to say that a great many of the advocates of a central bank in Canada will be disappointed with the operation of such a bank when and if it is established (p. 425.).

> Our economic welfare will be best served by keeping open the channels of trade with other countries: to this end stability of the foreign exchange value of the Canadian dollar is essential. . . .the monetary policy of a country may require not that price levels shall be maintained stable, but that the foreign exchanges should be stabilized. . . .(p. 434–435.).

> As experience with their operations grows, central banks in the larger countries may assume other tasks such as price stabilization and business cycle control, but in a country economically dependent as is

> Canada, such experiments are, probably for the near future, out of place (p. 435.).

Conclusion

It seems safe to conclude that practical policy leading to the establishment of central banking in Canada was oriented to international trade and that its goal was internal and external price stability, with internal price stability being relative to external conditions. The Bank of Canada was expected to achieve, in the mid twentieth century, what the Gold Standard and the Real Bills Mechanisms were supposed to have achieved, without a central, government bank, in the late nineteenth and early twentieth centuries. It may be that the government of Canada could have managed the money supply without a central bank, and even did so manage it in the 1920s and early 1930s (Chisholm.). In the present context that is beside the point. A central bank was in fact established because, both from an administrative and a political point of view, it was seen to be the best way to achieve a particular practical policy. At the time of the founding of the Bank of Canada, the openness of the Canadian economy was a long-run factor shaping its monetary institutions. Whether these events and their consequences in policy and institutions can be considered 'characteristic' of the Canadian economy will depend upon whether the entailed practical policy goal was critical in the formation of monetary policy and institutions throughout Canadian history.

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