movements, world movements of people, insurance transactions, and the like. It is true, of course, that the financial mechanism, particularly the great commercial banks of the world and the great investment banks in the world, which do provide these facilities, themselves are part of the total monetary structure. To some extent, vague in some countries, not so vague in others, they find--even if they are aware of it--that their capacity to carry out their activities depends upon the liquidity-creating powers of the system as a whole.

But liquidity, as we ought to be using the term, consists of that mass of facilities available to the monetary authorities of the world--the treasuries and the central banks--by which they are able to deal with balance of payments disequilibria and to be able themselves in the background or as an underlying matter to permit the financing of this growing mass of transactions.

Now, the John Maynard Keynes prototype for a world monetary system which would, in his view, have adequate powers to provide liquidity, was one in which the fund, at the apex, would in effect hold all international reserves, or most international reserves, received from the creditor countries, whoever the creditor countries were at a given time, an inflow of their net creditor positions, and would make them available to the debtor countries, whoever they were at a given time, to finance their net deficits.

The Keynes position is often misunderstood. I was just last night reading <u>News Week</u> which has this column by Henry Hazlitt--it's usually