its total economic development and in the growth of its total transactions each year by a lack of liquidity.

At the same time, all of us agree that the world could be held back by a lack of liquidity. In other words, there is no question that there is an organic relationship between world transactions and liquidity. To give you a crude example of that relationship, suppose the world went back to the pure gold standard. Suppose that the only reserves were gold and that the growth of liquidity, therefore, was entirely dependent on new world output that would go into reserves as against private hoards or jewelry. There would be a deflationary pressure at once in that kind of system.

Now, the Hazlitts and the Rouettes have a very easy solution. You raise the price of gold at that point to whatever point you need in order to have a mass of gold liquidity which is enough. In other words, you have a general depreciation of currencies, and then you go on from there.

I am going to show you that however you look at this problem you do get back to the question that there is an organic relationship between liquidity and world economic activity. But most of us feel that there is enough at present. We also agree that there might not be enough later, and that therefore we ought to study it.

There are now going on, as the result of general agreements reached at the recent annual meeting, two big studies of liquidity. The 10 industrial countries in the so-called general arrangement to borrow in the Fund, including the five largest of the six in the Common Market, plus Sweden, Japan, the United States, and Canada, are making a study