> Wise leadership in monetary affairs by this country might bring the whole world back to relative prosperity. The opportunity presented to this country in these dark days is the measure of its responsibility. The world will judge us in time to come by the fruits of our monetary policy.

The fact is stressed that wholesale prices have fallen far more precipitously than retail, so there is room for a substantial rise in wholesale prices, and it will not affect the cost of living very much; and he then goes on to declare that there must be a definite system of money management.

Now, in my studies—as I say, I confined them very largely to economy that is practical—I found one or two things that I thought were extremely interesting and extremely informative. For instance, in 1790, the conflict between Jefferson and Hamilton on the problem of laying down a sound monetary system for the United States raised the question of banking. Hamilton was a sound money man, a banker's man, and unfortunately for the United States, his ideas prevailed rather than those of Jefferson. Hamilton effectively summarized the bankers' policy of to-day in a declaration which was made in his report to the United States government in 1790, recommending the establishment of a privately owned bank known as the Bank of United States, a similar proposal to the one that you have now before you 120 years later.

In that report, he pointed out that there were two ways by which governments could finance. This paragraph of the report has long been recognized by sound money men as a classic of economic literature, and it reads as follows:—

> The emitting of paper money by the authority of government is wisely prohibited to the individual states by the national institution; and the spirit of that prohibition ought not to be disregarded by the government of the United States.
>
> The wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. . . . The stamping of paper is an operation so much easier than the laying of taxes, that a government in the practice of paper emissions would rarely fail in any such emergency to indulge itself too far in the employment of that resource to avoid as much as possible one less suspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things incompatible with the regular and prosperous course of the political economy.

Now, in this expression of sound money philosophy, Hamilton considers two proposals. First, he considers that governments might finance by the exercise of its sovereign power, to create, issue and regulate the circulation of national currency and non interest bearing public credit, or in a word, the maintenance of a national banking system that will monetize public credit as a public utility. Now, he wipes that aside, and says it was not safe, and that the normal course of political economy would be better served by another course. He then declares for the issue of government interest bearing bonds repayable with interest in money as the sound way to finance. Government must borrow from the banker and pay interest for its own credit.

At that particular time, the international bankers of Europe were moving to establish a system whereby international exchanges of bookkeeping entries could take the place of international shipments of gold. They saw the time coming when money would recede into the background of the monetary system and that credits would take the place of money as the means of financing