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## Sir Arthur Robinson Discusses Prosperity

"We must look upon the prosperity we are enjoying with a certain amount of misgiving as to its continuance." So said Sir Arthur Robinson, chairman of Freehold Assets Co. Ltd., of Collins House, Melbourne, at the half-yearly meeting of the company on Tuesday of last week.

Before we warm up to this question of prosperity, a word about Freehold Assets. The chairman, as already noted, is Sir Arthur Robinson, K.C.M.G., and his co-directors are Messrs. E. L. Baillieu, J. M. Gillespie, O.B.E., and J. S. Teuton—a typical Coins House grouping. The present company was formed in 1907 to take over Freehold Assets Realisation Company Ltd., which, in turn, was registered in 1895 to take over Freehold Investments and Banking Company of Australia Ltd., a concern which was established in 1882.

The last-named company was registered with a nominal capital of £10 millions, and at an extraordinary meeting in February, 1892 it was decided that by reason of its liabilities it could not continue.

For years after that we find the usual story of companies that went under in the early 'nineties. Compositions were the order of the day. Thus, in one report of the Realisation Co. we find that "deposit receipts to the face value of £138,455 were redeemed at prices varying from 3/7 to 4/4 in the £, at a cost of £29,105. Since the formation of the company 'A' deposit receipts aggregating £221,600 have been redeemed at an average of 4/- in the £."

Freehold Assets may therefore claim to be a lineal descendant in the second generation of the bank smashing 'nineties. Like other better known institutions which also trace their ancestry that far back, it is nowadays in the singularly happy position of having, in addition to its £100,000 of paid-up capital, another and cheap form of capital in the shape of interminable debenture stock, carrying interest at the low rate of 4 per cent. The amount of this stock, originally £96,000, was shown in the last annual balance sheet at £57,000, the company at its discretion having paid off the balance—for the stock is interminable only as far as its holders are concerned. The same balance sheet showed that the company, against a total paid-up capital of £100,000, had an excess of assets over liabilities of £199,905. For the last four years it has paid ordinary dividends of 5, 6, 7 and 7 per cent.

Amongst the company's shareholders in Australia will be found Mr. M. H. Baillieu (who holds 10,881 shares) and other members of the Baillieu family; there are also a couple of hundred shares in the name of Mr. E. V. Nixon, one of our

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"We must look upon the prosperity we are enjoying with a certain amount of misgiving as to its continuance."—Sir Arthur Robinson to Shareholders of Freehold Assets.

recently appointed members of the Monetary Royal Commission. (E. V. Nixon and Co. also appear in the 1935 "Digest" Year Book as the company's auditors.) Sir Arthur Robinson himself has only the smallholding of 100 shares—the usual director's qualifications, we presume. On the London register, among other names (including bankers) very interesting to residents of this country, there appears that of Andrew Williamson, chairman of the E.S. and A. Bank, of Australian Estates and Mortgage Co., of the London board of Mr. Lyell, and director of various other enterprises intimately connected with Collins House and with the private banking monopoly.

From the company's history and associations, therefore, its chairman should be something of an authority both on prosperity and on adversity from the financial point of view. And it was from that angle only that Sir Arthur Robinson made his remarks to shareholders. But let us look into this question of prosperity from its more real aspects.

### REAL WEALTH FROM THE SOIL.

The Commonwealth Bureau of Census and Statistics has just issued its Production Bulletin No. 28—and would to God that our people would read and digest it. For within the compass of its 150 pages of tabulated figures is contained such a story of betrayal as, once understood, would make the citizens of Australia rise up in their wrath and take immediate action to protect themselves against the thieves and liars, the rogues and their tools, who for years past have enmeshed us in the web of "sane finance."

One does not have to go far into the volume before the plot develops. The second page of tables is quite sufficient to unmask, in its general lines, the racket worked upon us, and also to reveal who are the racketeers. On that page is set out the summary of our national production in agriculture. We shall take 1911

as the base for comparison, because the Bulletin does so, though any other normal year would do as well. Here are some of the official disclosures:—

In 1911 there were 12 millions of acres under crops in Australia. Except for a sudden rise during the war years, and an equally sudden rise in response to the more recent will-of-the-wisp "Grow More Wheat" campaign (both of which were offset immediately afterwards), the story since 1911 has been one of steady and regular increase in agricultural activity. In 1920-21 we had 15 million acres under crops; in 1928-29 there were 21 millions, and last year 22 millions.

### THE NEW MEMBER OF THE COMMONWEALTH BANK BOARD.

"Professor Giblin is a keen supporter of the Premiers' Plan.

"The one point which Professor Giblin has stressed more than others in his economic teachings is that persons must make sacrifices in wages and luxuries for the good of the whole, and that if, at any time, wages or prices are depressed, those directly affected must do their share by admitting correspondingly lower living conditions."

—"The Herald," October 19.

Professor Giblin appears to be the ideal man for his job.

So the Australian farmers and their workers have not been lazy with the plough and the harvester.

And they have not used their brawn alone. Brains have come into the picture; scientific methods are evident from results. If you take the total volume of agricultural production in 1911 and call it 1000, how do our figures nowadays compare? While the area under crops has gone up from 12 to 22 million acres, production has climbed from 1000 to 2397—that is "to say, an increase of 83 per cent, in acreage has been accompanied by an increase of 139 per cent, in production. Every acre under agriculture today

produces, on the average, one and one-third times as much real wealth as every acre did in 1911. And don't forget, in taking this increase into account, that we must fairly assume the land brought into cultivation since 1911 to be below the average of land cultivated prior to that date—on the principle of first come, best served. If you want a concrete instance, think of the settlements during the past twenty years, in the Victorian Mallee and elsewhere, now being abandoned as unsuitable for agriculture.

We have, then, a tale of increased effort, of increased intelligence; of more acres, more crops, and better yields per acre. But what about our added population? Was the increase in agricultural products sufficient to keep step? More than sufficient.

### TWO-THIRDS RICHER THAN IN 1911

The Statistician's figures show that, if every person resident in Australia in 1911 had a standard of living, as far as agricultural products were concerned, that was expressed by the figure 1000, then every person in Australia today would be able to have a standard expressed by the figure 1647. Or, rather, every person should be able to have this standard of prosperity, and to enjoy it without any misgivings at all. Then where is the obstacle?

This is where our private bankers, or money producers, come into the picture. Sir Arthur Robinson, of Collins House, is a director of the Bank of Adelaide. Mr. C. L. Baillieu, of Collins House and London, is a director (alongside Mr. Williamson, of Freehold Assets) of the E.S. and A. Bank, and Mr. A. S. Baillieu is a director of the Commercial Bank of Australia. Sir Robert Knox, of Collins House, is a director of the Commercial Banking Co. of Sydney. And so on. We could (and may, one day) write a lengthy article showing the intimate connection between Collins House and many, if not the majority of

the gentlemen who grace the boards of our private money factories. And these gentlemen know—they see to it—that the man who grows potatoes does not thereby either grow, or cause money to grow alongside them to their real value. But, unless a growth in real wealth is accompanied by a corresponding growth in money, the farmer cannot sell his products nor can the consumer buy them. This is the crux of the position. Now see how it works out.

The statistics show that the farmer who in 1911 received £100 for his agricultural products would, on the average, have received last year only £73 for the same quantity of the same articles in the same markets. Total agricultural production in 1911-12 was valued at £38 millions; total production in 1933-34, which was 2.4 times as great in volume, brought only £67 millions.

And make no mistake about this. The farmer now has to take the lower price, not because people overseas have less money, but because people in Australia have less money. If the Australian consumer has four shillings in his pocket for every bushel of wheat grown, he can pay four shillings a bushel. If he does not want the wheat, but wants an article from Germany or Japan, then the German or Japanese who does want wheat can sell his article to the Australian consumer for four shillings and use that four shillings to pay the farmer for his wheat. In either case the farmer is paid four shillings. And similarly, if the Australian buyer has only two shillings, the farmer can get only two shillings. This should be obvious, and yet our political, economic and banker magsmen have for years been telling the poor deluded farmer that he must look for recovery from abroad. A bundle of lies.

### THE SAME STORY THROUGHOUT INDUSTRY

If we turn to other forms of production we find almost everywhere the same story of increased wealth as in agriculture

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J. V. Fairbairn, Esq., M.H.R.,

Parliament House, Canberra.

Dear Mr. Fairbairn,

Speaking at Frankston on Monday night you are reported to have defended the restoration of parliamentary salaries on the ground that members from the furthest distant States are paid inadequately; and to have added that your own increase would go the same way as the previous increase, to the hospitals of your electorate.

On the general question of parliamentary salaries we believe that these, like other salaries, should never have been cut. We would go further and say that, while there may possibly be a case for reducing the number of members, the salaries themselves should be very much higher than they are. For the members of Parliament, as the nation's board of directors, should be recompensed accordingly, and it is largely because this is not done at present that so many mediocrities have turned our legislative Houses into babbling shops.

But, as for your references to your own charitable distributions, do these indicate the true spirit of charity, of letting not your left hand know what your right hand doeth, or do they merely exemplify its modern translation, that sweet are the uses of

advertisement? Your political opponents could hardly, be blamed if, after pointing out that such largesse means little to a man already wealthy, they were to insinuate that your public announcement comes very close to an unsavoury attempt at vote snatching.

It is common knowledge that the present insufficiency of parliamentary allowances is emphasised by the constant inroads which so-called charitable appeals from constituents make on members' salaries. These inroads are likely to be unfairly increased by such gestures as yours. In our humble opinion, politics would be considerably sweetened if it were made an offence to solicit or receive money, on similar favours, from members of parliament, and particularly within their own constituencies. If members such as yourself feel that they can afford to forego their salaries, these might quite well be applied to redemption of the national debt. Indeed, in the case of members of Parliament, and particularly, of that party which you have the honour to represent, and which is such an ardent upholder of the debt system, payments for this purpose might not inaptly be termed conscience money.

THE NEW TIMES

- that is, as far as real wealth is concerned.

In 1911 we had 11 million cattle in Australia; last year we had 13 million. Between the same periods sheep increased from 96 million to 114 million; wool from 787 million lbs. to 995 million lbs.; butter from 212 million lbs. to 450 million lbs.; cheese from 15 million lbs. to 38 million lbs.; bacon and ham from 53 million lbs. to 71 million lbs.

And so the process goes on. The cows are calving as of yore, the sheep are lambing, the hens lay eggs in their millions of long hundreds, the crops ripen and the trees bear fruit. God's in His heaven, all's---- And Lyndhurst Falkiner Giblin, Ritchie Professor of Economics and latest appointee of sane finance to the Commonwealth Bank Board, was suggesting not so long ago that we humans, to get out of this depression of abounding riches, must practise birth control.

#### TWO MECHANICAL SLAVES PER HEAD

The story of secondary or manufacturing industry is the same as that of primary industry, only more so, because here man has been helped more by his machines. Back in 1911 our factories were using machines of 343,000-horse power. By 1934 this had increased to 1,917,000-horse power. Think of it; an increase of 1,574,000 horse power, the equivalent of over 15,000,000 strong and tireless men—over two each added to the service of every man, woman and child now living in Australia.

In 1911 there were 311,000 persons employed in our factories; in 1934 there were 405,000—an increase in numbers of about a third.

What did they produce with the help of their machines? The quantity figures, unfortunately, are not available for comparison, and so we must fall back on the bankers' concertina measuring rods, on production as assessed in terms, not of lbs., but of pounds. Even these figures are stupendous. Total factory production was assessed at £133 millions in 1911; at £330 millions in 1934.

And, in spite of all this increase in genuine wealth, the people of this country, despite Sir Arthur Robinson's dictum, are not really prosperous. Far from it. Freehold Assets may be prosperous. But Freehold Assets is not a producer of wealth at all. Most of its funds are invested in the Land Mortgage Bank of Victoria (directors, J. M. Gillespie, E. L. Baillieu and A. Dixon), in which it holds 143,000 shares, and from which it is regularly drawing more than half the amount required to pay its 7 per cent. dividend. Other Collins House companies associated rather with the production of wealth than with finance or with mortgages over wealth are not having nearly so good a time. Dunlop-Perdriau, Barnett Glass, Yarra Falls and Australian Knitting Mills (all recently mentioned in these columns) are cases in point, where profits are

going down instead of up.

The wage earners are not prosperous. Figures of incomes in this connection, as revealed by the last census, have more than once been quoted in our columns. Returns in the same Bulletin to which we have been referring show that in 1911-12 the amount paid by our factories in salaries and wages was equal to just over 54 per cent of what the employees produced, and that in 1933-34 this ratio had come down to just under 50 per cent. The difference (with a few exceptions) is not going to company shareholders, many of whom have for years had an exceedingly lean time and have even had to write off as lost large portions of their original capital.

Recent inquiries into the position of our farmers have shown that, so far from being prosperous, they are steeped in debt to the tune of hundreds of millions of pounds.

So it comes to this. With all our huge increase in real wealth from the land, and with all our harnessing of two extra slaves apiece from our factories, there is no added prosperity after twenty-five years either for farmers, for factory owners, or for the employees of either. Then who is getting this prosperity?

Let us turn back to Sir Arthur Robinson.

#### INCREASE OF NATIONAL DEBT.

"Improved prices," he said in his same Freehold Assets speech to the Baillieus, to Mr. Nixon, to Mr. Williamson and the others, "are being obtained for primary products, thus increasing the spending power of the community. The circulation of money has been stimulated by the flotation of further State Government loans and the increase in the State indebtedness, which during the last five years amounts to £12,835,195."

There you have effect and cause correctly stated. We are getting improved prices simply because new money is being issued to the State, as interest-bearing debt, by those private bankers with whom Sir Arthur Robinson and his associates are so closely connected. In the last five years the public debt of the Commonwealth and States has increased by £150 millions. Since 1911 the national debt (apart from the debts of municipalities and semi-governmental bodies) has increased by £1000 millions. Even this has not been sufficient to give any section of our people (other than the bankers) real prosperity. The money so issued has long since disappeared. It has been cancelled in ways that have often been indicated in these columns. But the debts remain. And with them remains an interest bill of over a million pounds a week.

Sir Arthur Robinson is quite right in this: Whatever the prosperity that may be indicated by statistics of real production, we shall never be able to enjoy it so long as the State borrows, at interest, the money needed for effective distribution of the real

wealth. That prosperity will come only when the State issues, free of interest, the necessary money.

We really believe that Sir Arthur Robinson, however appearances may be against him, is a man of sincerity. We believe that he, personally, would cheerfully surrender any power in his hands that is against the best interests of his fellow countrymen. That does not mean that we believe the same of all his associates—because we don't. But we would very earnestly ask him to do some real thinking on this subject of prosperity and finance. We would ask him to get down to its

fundamentals. Would he but do so, who knows? One just man before today has averted wrath from many guilty ones.

It is becoming a matter of the gravest urgency that some responsible person in the vicinity of 360 Collins St. should do some earnest thinking. For every day there is a growing disposition amongst the stricken and oppressed people of this country to look upon Collins House and all its works, its banking, monopolistic and armaments connections, in much the same light as the people of France one hundred and fifty years ago regarded the Bastille.

## LETTERS TO THE EDITOR

### PROBATE DUTIES.

The extent to which payment of probate duties bears unjustly upon the people warrants thorough investigation and amending legislation. This tax stands out amongst the huge array of its kith and kin as being one that can be—and actually is—an extremely harsh and objectionable weapon for use in the process of impoverishing mankind. It is used so frequently on those who are in sorrow and need that, when we look into its effects, we wonder that it has been allowed by our parliamentary watchdogs to remain so long in its existing form.

Even the most confused of our bankers and economists maintain that thrift is essential. The more advanced of them are now advocating judicious spending, and all recommend investment. Now, investment may range from buying questionable gold mining shares in the Pacific Islands to building homes for the people, and whereas the gold mining investment may add nothing to the real wealth of mankind, the suburban villa is a definite addition to the wealth of the community. Therefore, discarding the trimmings and trappings of our financial advisory experts, and reducing the whole question to one of common sense, it must be fully admitted that the man who invests in buildings is of more social value than the one who goes in for gold mining.

The Government, honeycombed and riddled by the insidious processes of the financial system, does not take this view, as evidenced by remission of taxation associated with mining shares, bounties on gold production, and subsidies for its exploration. The homebuilder, on the other hand, is hemmed in by harassing municipal legislation, accompanied by all kinds of charges for roads, streets, drains, and such necessary public utilities.

When the financial system completes its periodic cycle and is compelled by its own inherent defects to shorten credit, thereby bringing about a depression, gold mining shares—assuming there be gold in the mine—automatically increase in price, while house property decreases. The wicked part of this action is that the best types in the community are robbed of all or portions of their equities in the very houses that frequently are financed by the Government savings banks, which dangle a lot of clap-trap advertising about, urging the people to secure their future welfare by building their own homes on credit foncier plans.

From these considerations let us turn our attention to the obligations of paying probate duties on deceased estates. These duties must be in money, not in shares or property or goods. So, when a man dies, leaving an estate, his heirs must, if insufficient cash be available, raise it and make the necessary payment to the Taxation department before probate of the will can be granted. If the estate should consist of shares, a necessary number can be sold to raise the cash, but if the legacy consist of a home

then a problem immediately arises. A portion of the home, such as the garage and the fowl run, cannot be sold separately from the house, so the necessity arises of either mortgaging the property or selling it at the best available price, to enable payment of probate duty. The outcome has led very often to widows and children being literally turned out of their homes. A house that cost £2000 in 1927 dropped to about £1200 in 1932. Today it might be worth £1400, and, if it had been used a few years ago to support an overdraft, or other form of loan, to build a further house, the position now would be that the original owner of the £2000 property would probably have lost his complete equity in one house and would be struggling with an interest burden on the other. The obligation to pay probate taxes on top of such a situation would most likely deprive the nominal owners of practically all their rights to the property.

A tremendous lot of disorganisation and genuine hardship has occurred in families through such tax obligations, and the whole scheme is ripe for overhaul. It is time the Government devised a plan to enable probate dues to be paid without compelling heirs to resort to disposing of, or pawning their legacies. The mentality of our politicians, unfortunately, has, by an evolutionary process, reached the stage of always casting around for fresh fields to tax, instead of taking the exactly opposite course.

The financier has been behind the scenes too long. Let us drag him into the open and have a good look at him.

"CALCULUS."

### PUBLICATION OF CHURCH LEADERS' VIEWS

Various efforts have been made to interest the clergy in the economic and monetary conditions of society, but with some exceptions, with little tangible results. It is thought by some ardent advocates of economic reform that now a very good opportunity has arisen to make another attempt. The Anglican Primates of New Zealand and Australia, supported in New Zealand by the clergy of other Churches, have addressed large public gatherings on the need for reform; there is also a movement on foot in England, sponsored by the Archbishop of York, with the same end in view. These facts are not made known by the daily press. If the speech of the Primate of Australia, delivered in the Town Hall, Perth, on 3rd inst., were published in pamphlet form, with brief references to the other incidents, and circulated amongst the clergy and leading laymen of the Churches, it is thought a great deal might be done in undermining their opposition, as Churchmen, to such questions. May I, with this purpose in view, invite contributions from the readers of your esteemed paper.

E. HANKINSON,

St. Mary's,  
North Melbourne.

## CAUSE OF WAR

Mussolini: "The task of colonising and civilising Ethiopia will provide the Italian people with work for fifty years to come."—(From the "Manchester Guardian," August 30.)

\* \* \*

"Dictators like war conditions, especially dictators facing the rumblings of discontent at home, (After more than a decade of Fascist Efficiency the Southern Italian labourer enjoys a weekly wage which is the equivalent in purchasing power of about twelve shillings in England.) In wartime it is unpatriotic to protest against hard conditions: poverty and suffering are the Patriot's proof of Loyalty."—"Time and Tide," June 29.

\* \* \*

Lord Snowden: "Europe is trembling on the brink of an imperialist war, the magnitude and consequences of which no man can calculate. The root cause of the impending conflict is land acquisition for the purpose of alien exploitation."—The "Times," September 7.

\* \* \*

Count Ciano, Italian Press Minister, and son-in-law of Mussolini, in a broadcast to the American people, reported in the Sunday Times of September 8: Abyssinia, he went on, was doing everything possible to disturb the peace in Africa beyond its frontiers, and to prevent a rich market from being submitted to the economic sway of the civilized world. In a world suffering from the effects of a severe crisis such a thing becomes criminal, a sabotage of human collaboration that the civilization of today can no longer tolerate.

"When Italy has restored peace and order to these lands she will also have opened a new and precious market that Abyssinian barbarism has so far kept strictly and selfishly closed to work capital and labour."—"Social Credit."

### Seventy Per Cent Increase in Alberta Vote

Final results in the Alberta State elections, now to hand show that there was an increase of nearly 70 per cent in the polls as compared with the previous elections, and that the votes cast for the Aberhart party were only 20,000 less than the total votes cast in 1930.

Mr. Aberhart's followers won four out of six seats in Calgary, two out of six in Edmonton, and fifty out of fifty-one in the rest of Alberta.

The London "Daily Telegraph" announces that many former prominent members of the United Farmers' party have joined the Social Credit party since Mr. Aberhart's victory.

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## LOUD SPEAKERS OF THE HIDDEN VOICE—OR STATESMEN?

### III.—Mr. R. G. Menzies, K.C.

By BRUCE H BROWN

(By arrangement with the "Castlemaine Mail.")

[Editor's Note.—This is the final of a series of three articles, of which the first two appeared in our issues of October 4 and 18.]

With the imposing letters "K.C." after his name, Mr. Menzies might be expected to be the embodiment of everything that is sound, stable and decorous, altogether a man to be mentioned with bated breath. In fact, we are almost directed to regard him in that light by the frequent and fulsome eulogies we see in the syndicated press. Notwithstanding this, however, when we come to analyse his remarks we find ourselves reluctantly compelled to question his sincerity, if not his intelligence.

Since he came back from England he has been attending a lot of dinners and has been the object of great adulation in certain quarters; so much so that one wonders what new scheme is afoot behind the scenes. With few exceptions the pictures in the Press have shown him enjoying a free public luncheon with champagne, etc., ad lib. It must be hard for a constant guest at the sumptuous tables of the financiers not to feel well disposed towards these dispensers of the luxuries that money can give, and at the same time to remember the people who toil to supply the luxuries. Some of the pictures which have been published of this reputedly great man are in no way flattering to him, and seem to indicate that, like so many who have passed the same way before him he is deliberately being set up as a public "leader" in the interests of a small coterie of private individuals.

#### "THE HOME OF DEMOCRACY."

Speaking from Wesley Church on Sunday, September 15 (and it is nearly time some inquiries were made as to how it is that the men who have been keeping the community chained to the existing system of financial fraud find the pulpit of this particular church so frequently available to them), Mr. Menzies said that "Britain and her Dominions are still the home of democracy and the guardians of democratic government."

On September 16, speaking as a director of Ware's Investment Trust Ltd., he said that "the general impression in England was one of great prosperity," and "the general attitude of Americans to Australia was one of admiration for the recovery it had achieved by a sound financial policy."

Again, on the 16th, at a luncheon arranged by the Association of British Manufacturers (where he was patted on the back by Sir Lennon Raws, of Metal, Banking and Armament fame) he said, three things set a limit to what the United Kingdom could take from Australia, and that they were: The necessity she was under to maintain an extensive foreign trade; her agricultural policy; and the collective capacity of the English stomach.

Mr. Menzies has had a lot to

READ:

### "SOCIAL CREDIT"

The official organ of the Social Credit Secretariat  
Published Weekly at 163a, Strand, London, W.C.2, England.  
Subscription: 10 Shillings per annum (English currency). Single copies, 4d. post-free, may be obtained from the Douglas Credit Movement, Arcade, Elizabeth Street, Melbourne

say about democracy, but we fear much of it was spoken with his tongue in his cheek. Neither England nor Australia has yet practised democracy at all, for it means government by the people. The people of England and the people of Australia take orders, whereas if they were democracies they would give the orders. Those who control the credit of a country control the people of that country, and the credit of the nation is controlled and appropriated by a private monopoly.

#### MR. MENZIES IN 1934

On June 20, 1934, Mr. Menzies, as deputy Premier of Victoria, publicly admitted "there can be no true solution of the Federal financial problem unless each government enjoys financial power connoting independent financial responsibility in relation to the functions which it has to perform." He had said the same thing at the Premiers' conference the previous February in these words: "If the States lacked financial independence they could not achieve administrative independence, and the Federal structure became a mockery."

Well, as the States do lack financial independence, and all their difficulties arise directly from this lack of financial independence, we ask Mr. Menzies, as the celebrated K.C., to explain how it is possible for a State to be the home of democracy and yet have no financial independence? And if he was sincere when he spoke last year, why is he not fighting for financial independence for our Governments now? Even the Federal Parliament, as he well knows, has no financial independence, and, as he also well knows, he himself is one of the obstacles to the acquisition of that independence which alone would enable us to be what we now wrongly profess to be—viz., a democracy.

There may be no special significance in the fact, but it is worth noting all the same, that whilst Mr. Menzies was strutting around the city of London (where even the King cannot enter without permission) and partaking of dinners arranged by the private controllers of money, Mrs. Menzies was spending "several weekends with Mr. and Mrs. Clive Baillieu at their country home in Surrey, and attended all the official functions at which the Royal Family were present." You have previously read in these articles of Clive Baillieu and his financial interests, and you are also aware of the general activities of the Collins House group with which he is connected. Sir Lennon Raws, the back-patter, is also identified with the same group.

#### "LOOK AT THE MEN IT PRODUCES!"

Fancy this rubbish coming from an allegedly brilliant K.C.: "The test of whether democracy is justifying itself is to look at the men it produces to rule its country."

In the first place, results are more important than persons, and the results, both in England and in Australia, are such as to make every member of both Governments hang their heads in everlasting shame. Last year, in a world of great plenty, 2,400,000 persons died of starvation, and another 1,200,000 committed suicide because of economic stress. Instead of talking nonsense from a Methodist pulpit (a pulpit which is seriously misused), he should be denouncing the thieving and fraudulent financial system, which alone is responsible for the existence of such hellish conditions.

In the second place, the people of the country do not know the identity of the men who actually rule them. Mr. Menzies knows that the members of the Federal Cabinet do not rule the Commonwealth, but are permitted to act only within certain financial limits fixed by the private controllers of the money supply. In the face of this, what hypocrisy it is for him to talk about Australia as a democracy. It is no such thing, and he seems to be doing his utmost to prevent it ever becoming a democracy.

#### IMPRESSIONS OF PROSPERITY

When he said that "the general impression in England was one of great prosperity," he may have been thinking of the wealthy few with whom he hob-nobbed in London, in which case he could be excused for gaining such an impression. Or perhaps it was that he felt secure in the protection of our prohibitive censorship.

Dr. J. V. Duhig reminded us in his address to the Australian and New Zealand Association for the Advancement of Science, that the Commonwealth Government has forbidden entry to the country of Allen Hutt's "Condition of the Working Class in Great Britain," a compilation of Government reports on unemployment and its consequent malnutrition and disease. "This book," said Dr. Duhig, "is, a most harrowing and terrific indictment of the unscientific scheme of Government now used in England."

#### THE WRITER OF THIS SHOULD HAVE A TASTE OF THE DOLE

"It is difficult to obtain female labour because fathers of families find it more profitable to keep their daughters in idleness and draw the full dole than to allow them to learn something and thereby destroy their parents' eligibility for full aid. This is but one more vicious phase of a system, which has progressively sapped self-reliance. The folly of the Government in making the dole more and more attractive has led to men refusing the seasonal employment, which once furnished their normal livelihood. Thus the drain on the sustenance fund is increasing doubly—by the higher scale of payments and the influx of impostors." — "Argus" editorial, October 18.

And yet this political deceiver talks from a church pulpit about England, "in some miraculous fashion," contributing more to the world's affairs than any other nation. If England is doing that, she is doing it despite her "leaders" and also despite the fellows with whom Mr. Menzies associated when he was there. Only last month Sir John Orr, lecturer in physiology at the Aberdeen University, addressing the British Association on the economics of diet, said that twenty million people in Britain were underfed. Is Mr. Menzies telling us that England is contributing to foreigners what rightly belongs to and is sorely needed by her own flesh and blood?

It was appropriate, of course, for Mr. Menzies to talk approvingly of "sound finance" when, as a director, he faced the shareholders of Ware's Investment Trust Ltd., a company interested in usury. By "sound finance" he meant debt finance; and as the success of his Investment Trust depends upon the continuance of debt finance, under which money is the master instead of the servant, and a commodity instead of a ticket, it could be concluded that he has a personal interest in not lending his support to the growing clamour for monetary reform. Such a reform would relegate him to a less important place in society, and apparently this is an additional objection from the point of view of his personal vanity.

And as for "the general attitude of the Americans," how did he become qualified to represent that attitude? He certainly did not get his authority from the millions who supported the late Senator Huey Long, or from the millions who follow the Radio Priest—Father Coughlin. Who were the Americans who expressed admiration for the "recovery" we have made by going further into debt, while at the same time we robbed widows, orphans, pensioners, returned soldiers, government workers, traders, home buyers, investors, etc.? We should know their names so that we could advise them to visit a mental specialist.

#### EXCUSES FOR FAILURE

Mr. Menzies went away from Australia to use his weight in getting the admission of a greater quantity of Australian goods to the British market, but came back with a plausible excuse for his complete failure. The three "reasons" he gave are laughable. The first was that the United Kingdom is under the necessity of maintaining an extensive foreign trade. What necessity? If it is so pressing that Australian goods must be shut out, then, of course, our debt and interest obligation should be correspondingly cancelled. Evidently he has not read what the London Chamber of Commerce thinks of this foreign trade business, and we would refer him to the article, "Stopping the Rot," which appears in their official journal.

Notwithstanding all this, we have the amazing position in Australia that the members of the national government do not know where they stand. The Prime Minister advocates an expansion of overseas markets, while Sir Henry Gullet says nothing could be more hopeless than European trade. Dr. Earle Page chirps: "We must now go forth and sell our goods by an organised search for buyers," while the great K.C., Mr. Menzies says: "Australian primary exports to Britain are definitely limited, and Australia must look to the development of her own secondary industries and home markets for the future." The joke about it is that Mr. Menzies is quite right in this opinion, but that it conflicts with the opinions he usually expresses and is impossible of fulfilment under the financial arrangements which he professes to find so praiseworthy.

The second reason he gave was her "agricultural policy, which was directed towards maintaining British agriculture on a price basis that was scientifically uneconomic in this sense—that the price was one that the Australian primary producer would regard as beyond the dreams of avarice." Against this Mr. Menzies said Australia had no quarrel, but he overlooked the fact that the policy is preventing us from building the credits, which are necessary in London for the payment of interest. If this latter obligation is being cancelled in direct relation to the effect of British agricultural policy on our sales abroad, then we could agree with Mr. Menzies that we should not quarrel about it, partic-

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ularly as all money used here is made here, and we can pay the farmer a fair price in our own money without regard to what other countries may do.

#### THE LIMITED CAPACITY OF THE BRITISH STOMACH

The third reason for his failure was given as the limited capacity of the British stomach. As already pointed out, all the stomachs he associated with in England were fully provided for, and he could not be expected to know anything of the 20 million underfed. He never came into contact with them. That was someone else's pigeon, and, in any case, we export only for the benefit of people who have money to buy, and the stomachs of those who have money to buy are not neglected under present conditions. On July 18 last year Mr. Menzies attended a conference of the United Australia Party in Sydney, and was accompanied by Sir Robert Knox (of Knox, Schlapp and Co., Australian agents for the armament firm of Vickers-Armstrongs, and himself a director of the Commercial Banking Company), and Mr. H. G. Darling (a director of the National Bank), of Melbourne. As both men are beneficiaries in the existing fraudulent system of finance, and both occupy leading positions in the political organisation through which their interests are protected, it is not surprising that Mr. Menzies should be the loud speaker for the privileges they represent.

What a lot of dummies we have been to tolerate such a swindling system. There can be only one of two reasons why we as a people have given up our individual freedom and united into a community, which is obedient to law. We have done this either to secure increased communal well being or because we have had to do it under coercion as slaves. If we regard ourselves as free men, then a private money monopoly has not the right to filch the benefits of our associating together. If we are slaves, and these private money monopolists certainly seem to regard us as such—i.e., as people who exist merely to do the work for them, then we must rouse ourselves and get out of the thraldom. If enough of us do rouse ourselves, it will take more than loud speakers to keep us in.

## The Story of Money

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## Mr. Casey and the 85 Per Cent

More and more it becomes the established practice of Federal Ministers to make their unsatisfactory communications to the Australian public from behind the skirts of the Australian Women's National League, or from the shelter of pseudo-religious services. Running true to precedents, Mr. R. G. Casey, Federal Treasurer, chose a Pleasant Sunday Afternoon Service at Melbourne Wesley Church this week to explain to a select audience why the Banking and Monetary Inquiry is at long last to be proceeded with.

If the daily press reports him fairly, Mr. Casey's "explanation" was an outrage to any House of God, and principally for two statements, which are flagrantly untrue. These were:

1. "... the fact that Australia's banking and monetary systems had been running smoothly for so long."

2. "A certain number of per sons... could not see why, if it were possible for about 85 per cent of Australians to live reasonably comfortable lives, the lot of the other 15 per cent should not be improved."

As far as Australia's banking system is concerned, it runs quite smoothly in the sense that one rarely hears complaints of mistakes in addition and subtraction. But this is no very great virtue in an age of automatic adding machines. On the other hand, one can hardly conduct a half hour's casual conversation any time these years past—except in Mr. Casey's little circle—without hearing bitter complaints about bank action. It is not necessary to admit that all the complaints are justified; the mere fact of their being so general gives the lie to the story of smooth running. While, as to our monetary system, Mr. Casey's absurdly false pretence must have

come as a shock even to Melbourne's Wesley Church Pleasant Sunday Afternooners. How dare he suggest a monetary system is running smoothly which is everywhere frustrating the bounty of God and the intelligence of scientists; which is depriving consumers of the very necessities of life while at the same time sending producers insolvent; which at birth places a debt of £200 around the neck of every child born in Australia without giving him any corresponding credit; which depends for its temporary smoothness upon such devilish expedients as artificial scarcity or war? How dare he make such suggestions in a building dedicated to God, Who is Truth?

On what does the Federal Treasurer base his contention that 85 per cent of Australians are leading reasonably comfortable lives? Presumably he will claim that a standard of reasonable comfort is being enjoyed by all those who do not figure on the official unemployment register. Why does he not go the whole way? Why does he not emulate the Melbourne "Argus" of Wednesday, which concluded one of the most ghastly editorials of its career by stating: "Probably, if the sustenance allowance were not so liberal as to be attractive, it would be found that the volume of genuine unemployment is small"?

To Mr. Casey, as to the "Argus," "employment" is apparently the test of reasonable comfort—even if the employment be of the variety recently described by the same paper as picking up a living somehow and sleeping in the Domain. We should like to draw Mr. Casey's attention to a statement made a couple of days ago by Melbourne's City Health Officer, Dr. Dale, who said: "The basic wage provisions are minimal, and we can take it that those who have not got the basic wage are bound to be suffering in their health." Dr. Dale was not speaking of "reasonably comfortable" conditions; he was not detailing the essentials for life, liberty and the pursuit of happiness; he was speaking of life alone. And Mr. Casey knows as well as we do that the proportion of Australian breadwinners getting even this miserable basic wage is a long, long way short of 85 per cent.

What Mr. Casey may not realise, since it is far outside his comfortable ken, is that a condition of reasonable comfort—which, since man can think, is a mental state as well as a physical one—demands a feeling of reasonable security for the future as well as the satisfaction of present needs. And, so far from 85 per cent of our people having this, it is extremely doubtful whether it is enjoyed by 15 per cent. How can we feel any security when, on the one hand, we find Cabinet Ministers using the churches to

disseminate untruths, and, on the other, we see the same Ministers using every possible device to conceal from us what they are doing in our name?

## A Little Piece of Silk

At the meeting of the Employers' Federation in Sydney last week Mr. T. H. Silk, in his presidential address, felt impelled to say his little piece against Social Credit. There was nothing very new or very fragrant in his missiles, nothing much to add to the old story of "straight-out inflation." Mr. Silk did, however, excel many previous "exposers" in pomposity when he brought his address to a magnificent peroration with "I desire to warn the Commonwealth Government against making any attempt to depart, in any shape or form, from the existing financial and banking system of our Empire."

We can let Mr. Silk's criticism of Social Credit go by without much loss of sleep. And the Commonwealth Government, as at present constituted, will hardly need any warning from him to keep it from straying from the path of "sound" finance. But we should like to apply Mr. Silk's generalities to practical cases and to ask him a definite question.

"Income", he said in his address, "is the remuneration which anyone receives in return for his co-operation in the general process of production. The sum total of all these incomes is the income of the community, and thus is equal to the total value of what is produced. Hence, it follows that the total income suffices to purchase the total production." We do not for a moment agree with Mr. Silk's thesis, but if it be correct then it surely follows that businesses which cannot show a reasonable profit must be badly run. Very well. There is a business in New South Wales known as Mort's Dock and Engineering Co. Ltd. Its paid-up capital is £650,000. For the last four years that company's dividends to shareholders (years ended June 30) have been as follows:—1935, nil; 1934, 2 ½ per cent; 1933, nil; 1932, 2 per cent. The managing director of that company is a gentleman named T. H. Silk.

We would therefore ask Mr. T. H. Silk, before he again makes a gallant defence of "the existing financial and banking system of our Empire", would it not be wise if he were to reflect a little on the old proverb about dwellers in glass houses?

## Mr. Kent Hughes on Success

Many staunch supporters of the U.A.P. in Victoria must be breathing sighs of relief that Sir Stanley Argyle will be back to take over the reins of that party in a few days. For his temporary substitute, the terrible Mr. Kent Hughes, is on the warpath again. Mr. Hughes has apparently been reading that "Argus" editorial on the luxurious dole, which we quote elsewhere in this issue, for in Camperdown on Monday night he launched another of his tirades against the unemployed. "The anomalous position of farmers and others being unable to obtain

labour", he said, "owing to the attractiveness of sustenance rates is another aspect that cannot be allowed to remain in its present position." After this barbarous example of truculence, Mr. Kent Hughes had the amazing effrontery to declare, "The U.A.P. has not taken up the truculent and disgruntled attitude which Ministers expected after the manner in which they hoodwinked the electors and betrayed their allies."

The foster son of Cecil Rhodes then went on to give some sort of a definition of what, in his opinion, constitutes a successful political policy, in these words: "The U.A.P. decided to disregard the personal aspect, which was a matter for electors to decide later, and members have endeavoured to see that the policy which was placed before the people is carried out. In this they have been partially successful, as a bill for more taxation on compulsory receipts had been apparently withdrawn, and the tax on transfer of shares is only being halfheartedly prosecuted."

What a glorious victory! Withdraw both of these bills in their entirety, let the big emporium call its receipt a sale record, let the Stock Exchange speculator dodge the stamp duty on scrip which the bookmaker pays on betting tickets and the farmer and the householder have to pay on the transfer of every title to real property, and Mr. Hughes will be ready to tell us at the next elections that the U.A.P. has saved Australia—including those who, even on the most attractive sustenance rates, are never in their lives likely to be able to pay two pounds at once for anything and who would not know share scrip if they saw it. God speed Sir Stanley's ship!

## Roosevelt Surrenders

Under the heading, "Significant Decisions by U.S. Banking Chiefs," the city editor of the London "Sunday Express" of September 8 makes these remarkable statements:

"In the City of London last week an important decision was taken affecting business in the United States of America. Mr. T. P. Morgan, his son, Mr. Stanley, a partner, and another partner, visiting this country, decided that now is the time to go back into the security

### WAR SECRETS.

There is no reason why Britain should be apologetic about her intention to defend her Imperial interests to the uttermost.

—The "Argus," Oct. 21.

How long would Egypt stay British if Signor Mussolini were successful in Abyssinia; how long would it be before Mussolini got a foothold on the Arabian Peninsula, where the oil fields could be exploited?

—Mr. Grenfell, M.P., in British House of Commons, Oct. 22.

And what difference would it make to Australia, or for that matter, to the British people as distinct from the British financiers? Who owns these "Imperial interests"?

issuing business in America.

"It is a decision of great significance, because it indicates:—

(1) That the period of the persecution of the bankers in America is over;

(2) That the American Government recognises that business financing must go on; and

(3) That Mr. Morgan has received assurance that those people who desire to finance the business of the United States will be treated fairly and squarely by the Stock Exchange Securities Commission, which governs all financial operations.

"An event of equal importance making for greater confidence in the conduct of American affairs was an indication from Mr. Roosevelt that the period of reform measures was at an end.

"Mr. Morgenthau, the Secretary to the Treasury, had also previously intimated that perhaps the American Budget may be balanced" in a year or two.

"In other words, as I predicted some months ago, Mr. Roosevelt is hurrying back with as good grace as possible to orthodox practices."

\* \* \*

Drawing the conclusion from the above that "a great deal of British money will go to America," the editor naively concludes: "It is no crime for an Englishman to send his money abroad for the purpose of making a profit. It is a good thing to do."

## Sales Talk

There's just one thing that makes me wild,

It drives me to profanity—  
The obstinate stupidity  
Of commonplace humanity!

If people only drank more milk  
It would so ease the Milk Position;  
Instead of that the imbeciles  
Prefer to suffer malnutrition!

If only they would realise  
That bread is very nourishing!  
Of course, they'd eat a lot of it  
And farmers would be flourishing.

It's just those stupid slum-dwellers  
Who leave the miners in a hole;  
They'd rather catch pneumonia  
Than burn a few more sacks of coal!

Why will they eat those Chinese eggs  
Instead of English Best New Laid?  
Why will they live in dirty slums  
And sacrifice the building trade?

They surely know it's wrong to live  
Where typhoid and consumption lurk,  
It's wrong to wear such shabby clothes  
And keep their fellows out of work!

There ought to be a law against  
Unpatriotic people who  
Refuse to buy the things they want  
And advertisers tell them to!

They know we've got the goods to sell,  
"Our vans deliver any distance!"  
Then why, O why do they put up  
This wicked, wicked "Sales Resistance"?

—C. G. Dobbs in  
"Social Credit."

## Now for Overproduction in Hops

The "Gyrotiller," being used in the Kentish hop fields, turns over the ground at the rate of twenty-six acres in twenty-four hours, working day and night. It provides its own searchlights at night. The rotary plough, which is an American invention, ploughs from four inches to two feet in depth.

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## FIAT MONEY IN GUERNSEY

### An Historical Experiment in National Money

By JAMES P. FITZGERALD, in "New Democracy" (New York).

[Editor's Note. —Several correspondents have requested the "New Times" to publish, for the benefit of readers who are not familiar with what was then done, an account of how the Guernsey Islanders overcame their financial difficulties a century ago. The article, which we reprint below, with acknowledgments to "New Democracy" of September 15 last, gives a very clear exposition of what took place. The author's concluding appeal to the American people equally applies to the Australian people, who are today paying an annual bill, because private bankers have usurped the nation's sovereign power over money, of over a million pounds a week. Certainly the Australian private bankers are not any longer allowed to issue notes, but, in taking from them that power while saving them control over the issue of bank credit, we have merely repossessed ourselves of the shadow while leaving the bankers the substance.]

One of our abler economists once wrote "the history and experience of the Guernsey Islanders should be read by every voter in America."

A not inconsiderable number of economists have scarcely heard it. Guernsey Island, and those that know its history and experience with paper currency have altogether missed the tremendous significance of the incident. It is not enough, however, to know the facts about Guernsey; we must also understand the conclusions that necessarily follow. It is my purpose in this article briefly to narrate the story of the financial history of Guernsey Island in the early 19th century, and to indicate the only reasonable conclusions that may be drawn.

#### A BANKRUPT STATE.

In 1814 Guernsey, one of England's Channel Islands was in a state of financial bankruptcy and physical disintegration. The public debt amounted to nearly 95,000 dollars, while the annual revenue, after interest and administrative expenses had been deducted, was a mere 3,000 dollars. Besides, the money in the Island consisted almost exclusively of French and English coins, badly worn and sometimes spurious. The notion, moreover, of a Bank at this time apparently occurred to no one in Guernsey.

Physically, there was even question of large tracts of the Island being inundated, so decayed were some of the sea walls. To repair them would mean an expense of 50,000 dollars, which the neighbouring parishes could not afford. But the sea walls were just one of many objects in sore need of repair. The roads leading to St. Pierre, the principal port, were ruts 4½ feet wide, unsaved and treacherous. Carriages rarely traversed them; in fact, there was not a four-wheeled carriage in the Island. St. Pierre itself could not boast a road wider than 7 feet, and even then the lofty buildings on both sides gave the ominous impression of a canyon. Sometimes, especially on Saturdays, as many as twenty carts would be lined up outside St. Pierre waiting for the out coming traffic to cease.

Naturally this condition led to the emigration of labourers who were out of work, as well as of the wealthy, who could not find in the Island the comforts and conveniences they desired.

The Government of Guernsey is largely independent. It has a Parliament called the "States", elected from the parishes. The decisions of the States, however, are subject to the Privy Council of Great Britain, to whom there is also the right of appeal.

Naturally the first idea of the States was to increase the revenue. This they did in a small

way by taxing the spiritous liquors that were consumed on the Island. But the first real step in the direction of economic recovery did not come until the Finance Committee recommended the issue of States' Notes for improving the roads. That was in 1815.

#### ISSUE OF INTEREST-FREE MONEY.

The amount issued in one-pound notes at that time was 20,000 dollars. These Notes, of course, bore no interest, but circulated rapidly among the people. The result was an increase in business. So successful were they in fact, that in 1818 the States unanimously voted a new issue of Notes to the amount of 6250 dollars. Again in 1820 the States authorised an issue of 27,000 dollars in Notes for building a new Market. The cause on behalf of a new Market had been pleaded before only to be defeated by the vote of the States. The Market was completed in 1822 at a cost of 21,000 dollars. The net revenue from the renting of the stalls, moreover, far exceeded what had been anticipated, the actual net income being 3040 dollars for the first year.

Later in the year 1820, the States issued 20,000 dollars in one pound notes in order to pay off the floating debt. A year later 2900 dollars more was authorised for buying a desired building next to the new Market. In the same year, 22,500 dollars in Notes was voted to redeem an outstanding interest-bearing public debt. In 1824, the States authorised 25,000 dollars in one-pound notes to pay off another interest-bearing debt. Two years later 50,000 dollars in Notes were issued for Elizabeth College, the parochial schools, and a portion for the neighbouring Isle of Sark.

In 1827 the States' Committee brought in a proposal for widening and improving Rue de la Fontaine, an important street in St. Pierre. Without hesitation the States voted 55,000 dollars for the improvements proposed. If there was one thing more than another that characterised Guernsey, it was the need of improvements, so that the States had no difficulty in finding reason for issuing in 1828 42,500 dollars more in notes, this largely for Elizabeth College, and in 1829 55,000 dollars for street improvements. Finally, in 1834, when an epidemic of cholera threatened the community, the States granted an appropriation of 5000 dollars for preventive measures.

Briefly, that is the history of currency issues in Guernsey from 1815 to 1834. Approximately 400,000 dollars in States' Notes had been issued during that period, all of them non-interest bearing, all of them having, not a metallic basis, but rather the backing of the Government itself. That these notes circulated rapidly is evident from many facts, but notably, perhaps, from the fact that a committee was directed in 1828 to print new notes for those that were worn. The documents, moreover, prove that the people not only accepted the notes without the least hesitation, but eagerly awaited their issue.

What is there to show for the effects of this method of public financing? Well, first, the public debt was reduced from 95,000 dollars to less than 45,000 dollars, while the revenue was raised from 3,000 dollars to nearly 9,000 dollars per annum. As for the more tangible public benefits, not only had old breakwaters, piers and quays been repaired, but new ones were built. Two streets in St. Pierre had been widened, paved and sewered, sixty-eight miles of good country roads had been laid, in addition to the Market

ket house. Besides, in St. Pierre alone 401 houses had been built since 1819 at an expense of over 1,000,000 dollars. All this mind you, without borrowing a single dollar, without printing a single interest-bearing bond.

#### THE COMING OF THE BANKS.

But the devil must have entered into the hearts of some on Guernsey Island, for rumblings of protest began to be heard about the year 1826. Two members of the Finance Committee itself objected to the issuing of the notes, but their protest was decidedly overruled. Nevertheless, the Guernsey-Banking Company was established the very next year, with Jean le Marchant, one of the objectors, as Vice-President.

Now the devil is a persistent pest, and we have evidence of the fact in this, that the above-mentioned objectors to the States' Notes complained of the States' issues in 1829 direct to the British Government. The complaint was made known to the States, who replied to it with a remarkable letter written by Daniel de Lisle Brock, Bailiff. After reading that document one feels that the opposition in Guernsey must have been forever suppressed. But history teaches us that quite the opposite occurred.

The very next year the Commercial Bank was started, and claimed equal right with the other Bank and with the States to issue notes. Daniel de Lisle Brock therefore called together the States to see what might be done to offset this menace to the Government's rights. Brock delivered a fighting speech, in which he demonstrated beyond dispute the right of the States to issue notes, and showed moreover that the private issue of money is really unlawful. The result was an overwhelming vote in support of the rights of the States.

The devil, I say, is a dogged demon; and who else could have reversed the affairs of Guernsey in so short a span? The Bailiff had given his great speech before the meeting held on September 21, 1836. Victory seemed complete. But on October 9, not three weeks later, this same Bailiff, at the behest of the Finance Committee, signed an agreement with the private banks that is an everlasting blot on the face of Guernsey.

#### BANK NOTES REPLACE STATE NOTES.

This agreement was to the effect that 75,000 dollars of the States' one-pound notes would be withdrawn from circulation and converted into a bank loan drawing 3% interest. The States pledged themselves, moreover, not to have at any time more than 200,000 dollars in circulation. The result was that the States proceeded to withdraw from circulation 75,000 dollars, and thereby burdened the people with an annual tax of 2250 dollars to pay the interest on that amount. The Banks, furthermore, secured the monopoly on all notes that should be circulated beyond 200,000 dollars: these to be borrowed by the States from the Banks at 3% interest. Thus the only difference between the States' Notes and the Bank Notes was, and still remains, that the latter burden the people with interest charges from which they receive absolutely no benefit.

In the agreement signed exists the stipulation that either party could terminate the contract, notice having been given three months in advance. We know, however, that the Banks maintained their hold, and evidently abused their legal

THE "NEW TIMES"  
IS OBTAINABLE  
AT ALL AUTHORISED  
NEWSAGENTS.

## CRAZY?

Under the heading, "Is Alberta Crazy?" the "Ottawa Citizen" published the following editorial on Social Credit:—

Eastern newspapers reaching Ottawa make it clear that the chief reaction of the so-called organs of opinion to the Alberta result is one of incredulity that people can be such fools. The electors of Alberta are likened, although not in so many words, to the bedazzled sucker who was induced to buy Brooklyn Bridge from a man he had by chance just met.

Undoubtedly the people of Alberta voted for Aberhart because of the things he promised. But is this a new phenomenon in electoral annals? We seem to recall that when a certain party-leader five years ago said, "I will abolish unemployment," the stampede to the polls was even more general and just as headlong as in Alberta.

Besides, electors should not be expected to be experts in finance and economics. That is for statesmen and their paid help. If objectives are set, then it is up to those who undertake to legislate their attainment to work out details. There is really nothing extravagant in a plan to pay Canadian adults 25 dollars a month. At least it would be a small pay-off from a national scheme based on social credit, properly so-called. Does anyone deny that the wealth of the country in terms of goods and services (leave money out of the question for the moment) is not sufficient to allow so modest a dividend to those who have created the wealth? Potentially, a national dividend could be much greater. A financial technique can provide it.

Alberta voted for Aberhart social credit. That is a different thing from Douglas social credit, which has been before the public seventeen years and has withstood unshaken the "exposure" of its alleged fallacies. But its basic hypothesis is the same—i.e., that the present financial system is incapable of liquidating itself. Now, if the people of Alberta are crazy, they are in pretty good company—so far as a belief in radical financial reform is concerned.

It happened that on the very day the Alberta result was an-

privileges, for in 1915 the States were forced to make all notes, bank and States, legal tender, in order to prevent a panic. The Banks, moreover, are likely to remain in Guernsey, for, as one of the bank officials, a Mr. J. LePelley, wrote in 1915, "The feeling appears to be that after nearly 80 years they" (the Banks) "have acquired vested interests."

That, briefly, is the history of a lost opportunity. For it must be evident to everyone that the advent of the private Banks in Guernsey was prejudicial to the common good. How else can such an action be construed when it is so evident that the Banks printed notes for private profit, while the States' Notes were issued for the good and profit of all? The Bank Notes saddled the people with a tremendous debt of interest, which merely added to the already full purses of the unproducing classes, while the States' Notes brought employment and prosperity to the producing populace, at the same time lessening the floating debt. But let us look at the figures.

#### WHAT THE ISLANDERS HAVE PAID.

There are still circulating in Guernsey States' Notes to the amount of 200,000 dollars. They have circulated for 100 years at no cost for interest. If they had been converted into a Bank loan, as the bankers would have liked, the inhabitants would have paid the bankers over 600,000 dollars in interest and still owe the original

nounced, news came from London that Very Rev. Dean Hewlett Johnson, Dean of Canterbury, was thinking of undertaking a social credit speaking tour of Canada. Among others who favour social credit are J. B. Priestley, Storm Jameson, Beverly Nichols, Aklous Huxley, among novelists, and T. S. Eliot, Ezra Pound, Hilaire Belloc, A. R. Orage — and Bonamy Dobree among poets and critics.

Social credit has no stancher devotees than the Earl of Tan-kerville and the Marquis of Tavi-stock, nor, among actors, than Walter Hampden, Maurice Colbourne and Sybil Thorndike. It is the infantile scribbles who dismiss the idea as a sort of mental aberration who are the real bedazzled suckers in this age of untold suffering in a world of boundless material riches.

Among others not committed to social credit but out for radical monetary reform, are such "crazy" British business men as Sir G. R. Clarke, Robert James, Sir Maurice Jenks, Sir Stanley Machin, Sir James Martin, A. G. Pape, Reginald Roe, Lord Semp-hill, Sir A. Verdon-Roe, Vincent C. Vickers and A. V. De Leigh, secretary of the London Chamber of Commerce. Among British Catholic clergy who demand monetary reform are Bishop William F. Brown, Canon Ring, Canon Villiers, Canon Burke, Canon Ougley and others too numerous to mention. There are many Anglican and other clergy, too, who share their views.

Organisations and societies which urge social credit or some other genuine financial reform are the London Chamber of Commerce, the Southampton Chamber of Commerce (which is out flatfooted for Douglas social credit), a special committee in Britain of Rotary International, and the English Bank Officers' Guild, which some time ago passed a resolution saying that "the present system of currency and credit control is unsuited to modern requirements."

The advocacy of radical financial reform, it will therefore be seen, is not the special mania of moonstruck Albertans, but of a large and growing body of persons who furnish intellectual leadership to the British Empire. And, whatever happens in Alberta, financial reform is in the air, from Sydney, Australia, to Aberdeen, Scotland, and in Northern Europe and the United States as well.

200,000 dollars. Does anyone miss the significance of those facts? Does not everyone, see the lunacy involved in such a procedure? As it is, the Guernsey Islanders have paid the bankers 225,000 dollars in interest on the 75,000 dollars that was insanely made into a Bank loan.

All admit that the Guernsey Government made a horrible mistake in borrowing notes from a bank at 3% interest; notes that, in the nature of things, could not be half so secure as States' Notes. But if the men of Guernsey were insane economically, what must be said of us in the United States who pay the bankers literally billions yearly in interest? And why? Simply because the banker-controlled Government will not use its sovereign prerogative of issuing Government money for the public good. This is a matter so utterly repugnant to right reason and human decency that language is not even remotely adequate to express it. The fact is that the indescribable damage caused by this bank racket is so essentially diabolical, so inimical to both soul and body, that no effort should be considered too difficult in eradicating it. Remember that it is not enough that the bankers intend not to injure: they must be shown that it is imperative that they abandon any action which, even without their wishing it, would be prejudicial to the common good. But what could be more detrimental to the public welfare than this six-year depression, which the bank racket has saddled on the people?

# The Bank of France

By FRANCIS DELAISI

THE GREATEST FRENCH AUTHORITY ON FINANCIAL PROBLEMS REVEALS THE INTRICACIES OF THE REGENCY COUNCIL OF THE BANK OF FRANCE, AND SHOWS HOW THIS SMALL GROUP HOLDS THE WHIP OVER THE GOVERNMENT.

[Translated from "Vu" (Paris), with acknowledgments to "The Living Age" (U.S.A.).]

(Editor's Note. — Readers who have been puzzled by events of the past few months in France will derive considerable enlightenment by reading this account of the real rulers of the French people.)

When M. Flandin read his ministerial declaration to the Chamber on November 14, 1934, he said, "They ask us to choose between deflation and devaluation. But I shall not allow myself to be confined in this dilemma." The Chamber approved by a large majority, and public opinion went even further than Parliament. For the public wants a stable franc and is weary of constantly renewed monetary sacrifices for the sake of a budgetary balance that is never achieved.

Of course, the president of the Council knew that the foreseen expenses for the current year were bound to exceed the 14 billion francs of receipts. These expenses included subsidies to hard-hit industries, agricultural loans, national defence, and so forth. The president of the Council also knew that he could not get long-term loans and that the Caisse des Depots et Consignations and the private banks were saturated with short-term Treasury bonds and were afraid they could not maintain solvency. To persuade them to subscribe again, with taxes looming ahead, he had to give them the assurance that in case of panic the Bank of France would discount their bonds and furnish them with a sufficient quantity of notes to meet their withdrawals.

But the Bank of France refused. Or, rather, it made its own conditions. In a resounding speech, M. de Wendel, senator, metallurgist, Regent of the Bank of France, and president of the Alliance Republicaine, asked the Government to assume full powers and to save four or five billion francs at once by cutting the income of civil servants, pensioners and rentiers alike (budgetary equilibrium), and to divert this money to heavy industry by easing its taxes, by subsidising it, and by giving it special orders (economic relief).

M. Flandin refused, and for four months the Government lived from hand to mouth, borrowing from the Postal, Telegraph, and Telephone System and so forth. At the beginning of May the Treasury deposits in the Bank had fallen to 349 millions. Then, when it was announced that a large number of bonds would reach maturity on June 15, many good conservative Frenchmen took fright and began exporting their capital. In two weeks the gold reserve of the Bank of France decreased by 334 millions and then by 522 millions. Nevertheless, the Regents, un-abashed, maintained the discount rate at 2½ per cent. During this first fortnight no "international speculation" had occurred, for one does not enter into struggle with an adversary who has 40 billion gold francs at his disposal. International speculation was content to launch its operations against the florin and the Swiss franc. But when foreigners saw

that the French themselves—at least those "who were best informed"—were losing confidence in their own money and that the Bank of France did nothing to defend it, they decided that devaluation was imminent and entered the game on May 13.

## II.

In eight days, from the 17th to the 24th of May, the Bank lost 3,166,000,000 francs from its gold reserve. But the imperturbable Regents let the flow run its course and maintained the discount rate at 2½ per cent. Meanwhile, in his sumptuous study at the Hotel Matignon, M. Flandin was not quite so calm. If the panic were to continue, what bank would underwrite the bonds required to make payment on the notes maturing in June? And, if the Government were compelled to decree a gold embargo in order to stop the hemorrhage of capital, infuriated public opinion would obviously blame the Government and not the Bank of France for the drop in the franc.

There was nothing to do but give in. On May 23 M. Flandin called a Cabinet meeting to ask for full powers. The Regents were immediately aroused. In a series of successive moves they raised the discount rate to 3 per cent (on May 23), to 4 per cent (on May 25), and to 6 per cent (on May 28). On that very day M. Flandin, his arm in a sling, placed before Parliament the same dilemma that he had formerly rejected: "Give me full powers to carry out 'budgetary economies' and 'economic relief.' The only alternative is the fall of the franc." Devaluation or deflation!

But the Chamber, conscious of the pressure involved and knowing well that the Bank of France had the means at its disposal to break up the speculation, was not moved and overthrew the ministry. Fernand Bouisson, Laval, Pietri, then Laval once more were asked to form a new Government. But the governor general of the Bank of France put the same ultimatum before them all: Deflation and full powers. Otherwise the Bank refused to rediscount. Evidently the Chamber could not prolong an unprecedented Ministerial crisis indefinitely without discrediting the entire regime. Therefore it finally accepted M. Laval's compromise. Immediately, as though by some trick of magic, speculation stopped, and the franc was saved. In whose hands, then, is this formidable power, which was able to triumph over a legal Government and impose its will on the representatives of the people? This is something that every citizen has the right, and even the duty, to find out.

## III.

The Bank of France is administered by a General Council composed of eighteen people: A governor general and two assistant governors appointed by the State, and fifteen Regents, elected by the General Assembly of the shareholders. The governor holds the seal, and no action may be taken without his consent. In the Council meetings, however, he and his assistants have only one vote apiece, like the other members. Since decisions are reached on the basis of a majority vote, the power of the State is reduced to the right of veto, for the governor general may always refuse to sign. In reality, the Regents direct the politics of our Institute of Issue.

Theoretically, these fifteen people represent the shareholders of the

Bank, which is a private organisation. Since all the shares are registered, one can always know who the shareholders are. In 1933, out of 41,000 shareholders, 17,889 owned only one share, 9,021 held two shares, and 8,021 held between three and five shares. In other words, only 6,000 shareholders held more than five shares apiece. And the democratic character of this distribution is always stressed. But, when one knows that the capital of the Bank is divided into 183,500 shares, the distribution takes on the following aspect:—

17,889 shareholders have 1 share apiece.....	17,889 shares
9,021 shareholders have 2 shares apiece.....	18,042 shares
8,021 shareholders average 4 shares apiece.....	32,084 shares
34,931 shareholders have.....	68,015 shares
6,069 shareholders have.....	115,485 shares
41,000 shareholders have.....	183,500 shares

In other words, although the small shareholders (those having under five shares apiece) are in a majority of 85 per cent, the 6,000 large shareholders (15 per cent.) hold 63 per cent of the stock, a fact that is not generally mentioned. The latter group holds an average of 19 shares apiece, each one of which is worth about 10,000 francs on the exchange, a total of 190,000 francs, which, after all, is not at every man's disposal. Moreover, these 6,000 shareholders of the "good bourgeoisie" have no more influence over the Bank of France than the 35,000 small "democratic" participants! For, by virtue of a law dating back to 1803, signed by Bonaparte, First Consul, and completed in 1806 by Napoleon, First Emperor, it is declared that:—

Article 10. —The totality of the shareholders on the Bank of France will be represented by two hundred men, who, gathered together, will form the General Assembly of the Bank.

Article 11. —The two hundred shareholders composing the General Assembly will be those who, according to the *Revue de la Banque*, will be deemed to have been its most powerful shareholders for the six months previous to the time of election. In case of tie, the shareholder of longer standing shall receive preference.

Thus, among the shareholders of our great Institute of Credit there are "second-zone" shareholders. They form a group of "passive citizens," who share in the profits but are excluded from any participation in the life of the Bank. There is also a very small number of active citizens, 200 out of 41,000, who alone have the right to elect representatives to the General Council, which holds full powers.

It is clear that a strong spirit of emulation exists among those who aspire to direct the Bank, and they must consequently force themselves into the ranks of the most powerful shareholders. According to a recent census, 133 people hold over 100 shares, and 226 hold between 50 and 100 shares. It was therefore sufficient to pick out 67 names among the most powerful in the second category to form the Assembly. Since the shares are worth over 10,000 francs apiece on the Exchange, it is evident that a man must hold at least 800,000 francs of Bank stock to achieve the honour of sitting in the Assembly and having a vote.

And still people will say that the most perfect equality reigns among these privileged characters, for they must attend the annual session in person and none of them disposes of more than one vote regardless of the number

of his shares. It is nonetheless true that the constitution of the Bank of France is absolutely plutocratic. One might even say that it is aristocratic, for a recent list published in 1930 includes the names of M. de La Rochefoucauld, M. de Ludre, M. de Montholon, M. du Breuil, M. de Pontbriand, the Marquis de Vogue, the Marquis de L'Aigle, Count de Pourtales, Count de Reinach, Count de Remusat, and Count de Ribes. The old French nobility, excluded from Parliament by universal suffrage, has found its House of Lords in the Bank.

## IV.

Whom have these two hundred privileged electors appointed to direct the credit of France? At the outset they entrusted this formidable power to six bankers.

At first, this may seem surprising, for the essential function of the Institute of Issue, as we have seen, is to rediscount the commercial paper of other bankers. It is bound to do this with the greatest discernment, since its portfolio of investments, along with its gold

reserve, guarantees the bank notes in circulation. Moreover, how could this choice be impartial if the judges are party to it, as bankers who are both clients and administrators of the Bank of France are entrusted with the task of receiving or rejecting their own paper and the paper of their competitors? Of course, the First Consul decreed that among the fifteen Regents five should be drawn from the ranks of commerce or industry and three should be chosen from among the receivers of public revenue. But he said nothing about the other seven. The bankers took advantage of this omission and allotted six places to themselves, which are held today by Baron Edouard de Rothschild, Baron Hottinguer, Baron Jacques de Neuflize, M. Ernest Mallet, M. Pierre Mirabaud, and M. Felix Vernes. M. Vernes, recently deceased, has been replaced by M. David Weil, of the Banque Lazard Freres.

Each one of these represents his own banking house; banks of a somewhat closed character. For over a century rich families belonging to the high

### W.A. LABOR THINKS AGAIN.

The previous congress (of West Australian State Labor) pronounced against the Douglas Credit plan, but the present congress considers that, in view of happenings in other parts of the world, and in view of the changed financial situation, re-examination of the plan might be worth while. A committee was appointed for the purpose.

—"The Argus," October 18.

nobility or the upper bourgeoisie have grown accustomed to entrust them with the administration of their property. The banks tell their clients what investments to make and what stock to sell according to the fluctuations of the market. They have always performed their duty with prudence and honesty, and they have thus become the administrators of the large fortunes of France. (One of the investment portfolios thus administered by a bank is estimated at 1,800,000,000 francs.)

It is obvious that it is important for these men to be Regents of the Bank of France. For they are thus placed in a better position to cash in on enterprises whose stocks are sold on the Exchange; to take advantage of the movement of capital, the fluctuation of discount rates; and, in case of crisis, to cover stock that they have sold short and to engage in other operations of last resort or safety. That is why they have built up their holdings from

the outset in order to raise themselves to the category of the 200 great electors. Their principal clients, who profit by this privileged situation, have done likewise and back them with their vote at each vacancy. Imperceptibly, the function of the Regent has become a sort of title attached to each one of these six houses. The fathers transmit it to their sons, sons-in-law, and nephews.

In his recent report to the General Assembly, the governor general recalled that M. Felix Vernes, who died last year, after having been Regent for thirteen years (1921-1934), had succeeded his father and his grandfather. Likewise M. William d'Eichtal, who succeeded his grandfather, Adolphe d'Eichtal, and his uncle Paul Mirabaud, transmitted his seat to his nephew, M. Pierre Mirabaud, when he died last year. The Hottinguers entered the Regency Council in 1803. As for the Barons Mallet, their ancestor was a member of the first Regency Council, instituted by Bonaparte in 1800, and from that day on they have handed down the thirteenth Regent's seat without a single interruption in a hundred and thirty-five years. We have here five families and five banks (Mallet, Hottinguer, Mirabaud, Vernes, and de Neuflize), who are always ready to put at the disposal of our Institute of Issue their "hereditary devotion," as the present governor so forcefully expressed it. Is it not wonderful to note this strange stability among the masters of economic power in a country whose political system has changed so often during the last hundred and thirty years?

## V.

These five Regents, who are of Swiss origin, are Protestant bankers who came from Geneva, Basel, or Zurich at the same time as Necker, that is to say, the end of the eighteenth century. After trying to save the finances of the monarchy in its decline, they attempted to establish the finances of the Revolution, and Bonaparte was happy to have their support against the Ouvrards and other French financiers, who with the beautiful Madame Tallien as a go-between, had financed the Directoire, which he had just overthrown.

To this list of great electors, we should add the names of the Rothschilds. They began, as everyone knows, by financing the revolt of Europe against Napoleon and preparing Waterloo. Louis XVIII., in gratitude for their services, admitted them to France. Louis-Philippe installed them in our country definitely, and Napoleon III., after having set them aside, had to submit to their growing power. Baron Alphonse de Rothschild became a Regent in 1855, and the family is still a somewhat withered branch of the powerful house that reigns over London and a large part of the world.

In certain "conservative" circles people denounce "international finance." It is not generally known that the Bank of France owes it a third of its General Council and half of its Regents, if we exempt the three officials who watch the current account of the Treasury—Let us add that "old France" is honourably represented by the Marquis de Vogue, whose family has administered for more than two centuries the famous mirror factory of Saint-Gobain, founded by Colbert. This family represents the most powerful chemical industry in France. Moreover, the noble Marquis is an administrator of Creusot (Schneider and Company), of the Credit Lyonnais, and president of the Suez Canal Company, a comfortable retreat for retired generals and Ministers who have served well.

A law passed on April 22, 1806, stipulates that five Regents out of fifteen shall be chosen among manufacturers and merchants who are shareholders in the Bank. The manufacturers are represented by M. de Wendel, metallurgist; M. de Vogue,



Chemical products (Saint-Gobain); M. Duchemin, chemical products (Kuhlmann) M. C. Poulenc, chemical products (Rhône-Poulenc); M. Tindardon, chemical products (Alais, Forges et Camargue), and M. Darblay, paper.

## VI.

At first sight, this representation may appear somewhat restricted and partial. Moreover, it is rather difficult to have twelve people represent all the branches of economic activity, the apparatus of which has become singularly complicated since Napoleon's time. Three of the Regents, chosen among the officials belonging to the Ministry of Finance, are appointed only to control the Treasury account; they do not belong to the business world.)

But the Regency Council has been able to get around this difficulty. The game of corporations, which has developed so prodigiously in the past twenty years, allows one person to appear in several directorates. A careful reading of the annual reports reveals that the twelve Regents are personally involved as directors of 95 companies, in which they occupy 150 seats on the following organisations:—

Thirty-one private banks, including the parent banks described above; eight insurance companies, nine rail-road companies (five French and four foreign), eight navigation, armament and ware-house enterprises, seven metallurgical companies, six electrical companies, eight mining companies, twelve chemical industries, and seven diverse enterprises (refrigeration plants, sugar refineries, department stores and so forth).

## VII.

Thus all the different aspects of industrial activity are represented. The merchants, though they may not have a seat among the Regents, sit in the discount committee, where they have a so-called consultant vote. As for the agriculturists, whom Napoleon forgot, it has been recently declared that they are represented by the Marquis de Vogue, who is among other things a rich landowner and resident of the Union des Agriculteurs de France. No man, it seems, can have a greater interest in our peasants, since he administers both Saint-Gobain, which furnishes them with chemical fertiliser; the Creusot, which sells them agricultural machines; the Paris-Lyon-Mediterranean Railroad and the Auxiliaire de Navigation, transport their products; three insurance companies, to protect them against all risks; and the Credit Lyonnais, to invest their savings. In this far-fetched manner the Bank of France introduces itself to the public as the impartial representative of all branches of the country's economic activity.

If these different branches were definitely and distinctly represented, the divergent interests could exercise reciprocal control by opposing each other and finally reach equilibrium. But struggles would ensue in the heart of the Council that the Regents prefer to avoid. To achieve peace each group has consented to admit into the directorates that it controls one or two Regents from other companies. First, the five Protestant banks founded a large business bank, the Union Parisienne, in which M. de Wendel is associated. At the same time three of their directors sit side by side with M. de Rothschild in the Assurances Generates and the Nationale. The Rothschilds, in turn, are associated with de Wendel in the Chemins de Fer de l'Est and the Penarroya factories. Baron de Neuflyze, a colleague of the Rothschilds in the Paris-Lyon-Mediterranean Railway, a member of the supervising board of Creusot, along with M. de Vogue. M. Duchemin representing Kuhlmann chemical products, meets M. de Rothschild at the Chemins de Fer du Nord, M. de Neuflyze at the Banque Nationale Commerce Extérieur, and

M. Tindardon at the Credit Algerien. I found only one person who is a director in a single company—M. C. Poulenc. One may thus see how far this "interlocking" of directorates has gone.

The twelve Regents who are thus associated in 93 different companies hold 150 seats. Thus it often happens that three or four of them are gathered in the same directorate. Rival groups can thus watch one another and are not exposed to surprise attacks. Their interests meet at so many points that they cannot right each other too violently without exposing themselves to reprisals.

At any rate, they all have the same precious privileges to defend. That is why inevitable rivalries of personalities and groups are toned down in the General Council of the Bank, and the most important questions are discussed in friendly conversations and decided in the course of a weekly luncheon. While the people passionately take part in the violent struggles of the parliamentary arena, their greatest interests are decided by discreet conversations in a kind of pre-established harmony.

And what facilities are offered to live lucky Regents! When it is a matter of rediscounting bills of exchange, renewing them, or obtaining loans on stock, the discount committee, which is composed of three Regents assisted by three Parisian merchants, makes the decision. But how could these three experts question the credit of a company that is administered by one of the Regents? Under these circumstances, every company of the slightest importance wants to have a Regent in its directorate. These gentlemen do not have to solicit seats. Their arms stretch out in spite of them.

## VIII.

Only one foreign element could trouble this touching, family-like harmony. The governor general and his two assistant governors are appointed by the State, and the Regents may not put any decision into effect without their signatures. They are appointed precisely to check the Regents' initiative and even to impose upon them the Government's will. But a way has been found. The law of 1806 decrees that "before assuming his duties, the governor shall possess a hundred shares in the Bank, and each of the assistant governors shall possess fifty shares." These are not to be sold while they are in office; they serve as a kind of security. During Napoleon's time-shares were worth about 1,000 francs apiece. Today their Exchange value is 10,340 francs. An honourable official, however high he may stand in the hierarchy, rarely has a million or even a half a million francs at his disposal. But let no such small matter stand in the way! The Regents, six of whom are bankers, will be glad to sell the necessary shares on credit to their future controller in order to permit him to exercise his function. This makes him their debtor, so that, if a conflict arises between his creditors and the power that appointed him to office he is faced with a curious dilemma. If he takes the Government's side, he is saddled with a debt that he cannot pay off. (That poor M. Moret was much pitted when he was retired by M. Flandin before he had a chance to liquidate his obligations). If, on the contrary, the governor general takes the Regents' side, they will not only allow him all kinds of delays in making payment but will secure for him a gilded retirement in one of the numerous directorates in which they are interested.

This is a well-established situation. M. Moret, leaving his former post, found a place for himself in the Banque de Paris et des Pays-Bas. M. Charles Rist, former assistant governor, holds a position in the same bank and in the Suez Canal Company, to which he was appointed by M. de Vogue. His predecessor, M.

Sergent, is at the Union Parisienne, where his successor, M. Luquet, has joined him. Is it any wonder, then, that M. Flandin, in a rare stroke of authority, replaced M. Moret by M. Tannery and then saw the new governor become the faithful mouthpiece of the Regents at the end of several weeks?

Such is the minute and formidable power that for six months has held the legal Government of the country in check and has not hesitated to place the fate of the franc at stake in order to force the Government to capitulate. After having used up five Ministerial combinations in five days, it triumphed over Parliament by wearing it out.

What do these men want? First, to realise three or four billion francs by cutting the incomes of civil servants, pensioners and rentiers (budgetary equilibrium) in order to add more money to the eleven billion francs in subsidies that industries running at a loss are already receiving. (This they call economic relief.) Second, to create a special category, including about a hundred "sheltered" companies, which would be well supplied with orders from the Government and credit from the Bank of France. Third, to leave all other enterprises to their own resources so that the weaker ones will go into bankruptcy (purification) while the others will be absorbed by the privileged industries (rationalisation). By this game the crisis will perhaps ruin the country, but it will reinforce the power of the Council of the Twelve (shades of ancient Venice), the members of which bear the almost royal title of "Regents." Such is the result of Article 11 of the law passed on the 24th of Germinal in the year 11, which gives the 200 richest shareholders the right—unprecedented in any legislation—to name the administrators of our Institute of Issue. No efficacious measure can be taken against the crisis so long as 200 families retain the hereditary privilege of governing the credit of France.

In the past, when the king was a minor, a Regent governed in his place. French democracy now has twelve Regents.

## "JUST ABOUT AS STRONG AS YOU THINK IT IS."

### Major Douglas on the Bluff of Finance

In the course of a specially contributed article on Alberta to the Glasgow "Evening Times"—in which was first published his Draft Scheme For Scotland—Major Douglas draws pointed attention to what constitutes the real power of finance.

"While it would be idle to deny", he says, "that the introduction of a Social Credit regime into Alberta is faced with formidable difficulties, I do not myself believe that these are insuperable, more especially taking into consideration the effect upon the rest of Canada which has been produced by the Alberta verdict in favour of an attempt of this character.

"The significance of the situation, of course, lies in the fact that for the first time in history a Government has been elected which is fully conscious both of the power and of the methods of international finance, and is determined to challenge them.

"It is always assumed that the power of international finance is practically unlimited. I do not believe that this is the case. I believe that finance is just about as strong as you think it is, and if you do not think it so very strong after all, and are undeterred by the awful threat of what will happen to you if you do not do as you are told, not very much will happen to you."

## WHAT IS A PATRIOT!

By D. IZZIE.

Speaking, at the Kew Council dinner last week. Mr. J. P. Jones, M.L.C., said: "The party political aspect of questions today sickened men who wished to see Australia go ahead. Abolish for all time those petty party political questions where men who were striving to do their utmost for Australia were pinpricked and had mud thrown at them by people who could not possibly be concerned with the welfare of Australia."

Here is the Jones recipe for a patriot: Anyone who agrees with Mr. J. P. Jones and his friends is a patriot. Oppose them and you are the enemy, not of Mr. Jones, but of Australia. Entertain an idea that the men in question are striving their utmost to do for Australia, or wonder for a moment whether this speech was delivered from Kew Asylum and not at the Kew Council, and you are branded as a traitor with a muck rake and a catapult. Before you make up your mind which side you will join, consider what the Jones patriots would do for their country, as told by Mr. Jones in the remainder of his speech.

He told us first the result of his long ministerial responsibility. He is convinced that Australia needs to think in a bigger sense than in the past. The big-thoughts then flowed from him. "We should regard Australia as a very much bigger country than we felt it was; the opportunities it offered would not be developed unless we took a broader view of the problems confronting it, and unless we considered them from the standpoint of civilisation Australia would not be the country we ought to make it." Next time you meet a man who says he is hungry tell him to feel that Australia is a big country; tell him to take a broad view of his opportunities and that from the standpoint of civilisation he is not what he should be. He is sure to be satisfied and go away contented.

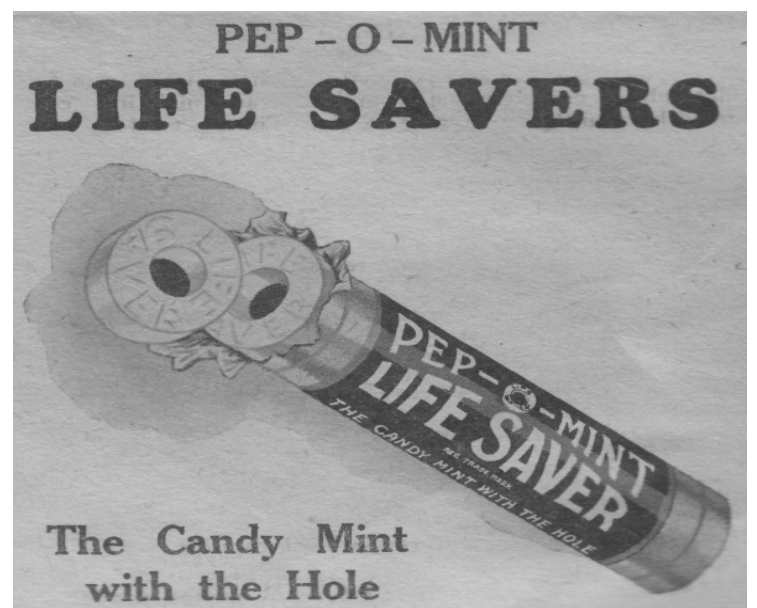
But what is Mr. Jones's broad view and his idea of civilisation? What sort of a land does he think Australia should be? This is his desire: Abolish petty party political questions and get on with the big job. That is, fall in and follow Jones. What the big job is he did not state, except to say that it should be a definite scheme of development. We must not argue over pettifogging little pieces of expenditure and little schemes, which get us nowhere, but should evolve a scheme that would put us on the map of the world. Presumably this scheme is to be financed by borrowed money, for Mr. Jones and his present political friends know of no other way. Yet he said: "So lavish had been our expenditure of borrowed money that we were causing a fear complex to develop in the minds of financiers in

England, who were invariably ready to help Australia." So civilisation is debt, and patriotism consists of easing the minds of overseas financiers. We have tried more than 100 years of this kind of civilisation and patriotism, with what result? A national debt of £1,400,000,000, and a country populated by 7,000,000 people, of whom 90% have incomes of less than £5 per week. Our production is greater than ever before, but Australians get little benefit from it. Patriotism demands that an ever-growing proportion of it shall be sent away to satisfy the financiers who "are invariably willing to help Australia." Now the patriots of the Jones class plan to feed and clothe the poor with more debt. Whilst the works are proceeding, the plans of that other patriot who advocates "Eat more food" will flourish, but Mr. Jones either cannot or will not take a big look at the future and see what will happen when the big scheme is finished. More debt, more interest, but no more income. We shall be properly civilised, wearing rabbit skins and eating grass while our food goes overseas to cure the financiers of their fear complex.

### TRUE PATRIOTISM.

Be a Jones patriot and take what is coming. Be a true patriot and see what is possible. Discard the bigger thoughts and try better ones. Abolish party politics if you will, but first abolish poverty. The first step is to abolish unrepayable debt, so willingly created by finance and accepted by Mr. Jones and his ilk. Develop our country; we have the men and materials to do it. Let us manage our own monetary system, and when we are in need of book entries enter them in our own books. Let us keep our books so that Australians get the benefit of Australia's production. In a land such as this, poverty is unnecessary and absurd. The true patriot will make it impossible. Civilisation means a higher standard of living with more leisure and culture. Machinery and our natural resources have made this possible: finance has withheld it from at least 90% of our people. A patriot would give each and all their fair share, and leave to posterity something worth having instead of handing on a bigger burden of debt than we received. The biggest scheme, the broadest view and the civilised thing to do is to end the struggle for existence in a land of plenty and abolish poverty. It can be done. Do that and let posterity answer the question, what is a patriot?

The large number of people who have been found work in making munitions or in other war industries, and who would be thrown out of work again if war were avoided, will naturally not throw its weight on the side of peace. — Rome correspondent of the "Observer," September 8.



OIL — AND WAR

V. — America Proclaims a Crisis

(Editor's Note. — In this series of articles is being unfolded the grim battle for world supremacy in oil, a battle ranging through nearly every country in the world, and in which the chief actors are British interests, represented mainly by Royal Dutch-Shell under Deterding, and the American forces led by Rockefeller's Standard Oil. The earlier article's appeared in our last four issues.)

In the last article of this series a general outline was given of the policy pursued by British oil interests in the United States' oil fields. That policy was, briefly, to pump the United States dry as rapidly as possible, at the same time producing as little oil as practicable from British-owned concessions elsewhere in the world. It was also indicated to what extent the policy had succeeded.

One does not need to be an alarmist to see the terrible gravity of this situation as affecting relations between the United States and Britain—and especially when the facts begin to be understood generally by the American public. That those facts are beginning to be understood very widely it is now proposed to show.

In February of this year a sensational article was published in America's most widely read weekly magazine, the "Saturday Evening Post." The article was very lengthy and detailed. It was given first place in the issue of the "Post." Its title was, "After The Oil Deluge, What Price Gasoline?" And it was signed by no less a person than Mr. H. L. Ickes, Secretary of the Interior. It was a message, from the American Government to the American people.

As such, in a time of peace, or so-called peace, diplomatic usages would prevent the Secretary of the Interior from saying anything, which might be offensive to any other nation. But, without naming names, Mr. Ickes left very little to the imagination when he wrote: "One can almost hear the sardonic laughter of nations, jealous of our prestige and covetous of our wealth, as they watch our headlong course towards national bankruptcy in oil while they count every drop of their own hoarded stores of this precious mineral."

A WORLD THAT RUNS ON OIL

In the preface to his detailed figures, Secretary Ickes began by reminding his millions of readers

just how important a part oil plays in their lives. "There is no doubt", he said, "about our absolute and complete dependence on oil. We have passed from the Stone Age, to bronze, to iron, to the industrial age, and now to an age of oil. Without oil, American civilisation as we know it could not exist. No wheel could turn, no machine could function. No part of our motorised transport system could budge. Our entire system of distribution, our very habits as individuals, float upon oil. Shut off our supply, and our cities would starve in the midst of plenty without facilities to move food-stuffs from the farms. If the trucks and engines of the nations were suddenly stalled, our factories would stand idle. . . . Oil, as gasoline, symbolising speed and power, propels our automobiles, airplanes and motor launches. It is fuel for our homes, our ships, our locomotives. As kerosene, it lights the lamps of rural communities, drives our tractors and Diesel engines and fires the kitchen stove. As naphtha, it cleans our clothes and contributes to the manufacture of all rubber articles. . . . As a spray, it kills destructive insects and protects our trees and crops. As paraffin, it waxes our floors and seals our jellies. As grease, it is used for medicinal purposes, to entice hair onto baldpates and as a base for cosmetics. Oil is alike indispensable for the delicate mechanism of a watch and for the rugged wheels of a locomotive.

"An everyday necessity of our nation, oil has become of even greater importance as a vital means of defence. There are no substitutes for petroleum in a modern army and navy. Upon the battle front slower weapons may be destroyed, but oil-driven trucks and tractors, tanks and airplanes, battleships and submarines move on. There is hardly a coal-burning ship left in our entire Navy. Our submarines burn Diesel oil. There must be plenty of oil at the front and behind the lines. We can read a lesson from Great Britain's World War records. On one occasion she had only sufficient wheat for a few days, with plenty piled up at American ports awaiting transport. But the British also needed oil. The choice, of necessity, was 'fuel oil for the fleet' instead of 'food for the people.'

"In view of our dependence upon oil, each of us, as a matter of personal and national concern, should look into this business of oil. How do we stand as to our future supplies?

How much have we consumed? How much have we left? How much longer will it last? How much shall we have to pay to make available what is left? How do we stand in relation to the rest of the world?"

The Secretary of the Interior then proceeded to unfold in its alarming details the position, which was summarised in last week's issue of the "New Times."

By the end of 1934 the United States had produced 16,000 million barrels of crude petroleum, which reliable estimates assessed at half the original available supply under present methods of production.

"Reduced to the terms," he said, "we have proved our American initiative by producing about ten barrels out of every fifteen produced in the entire world, although we

**"IF WE DON'T FIND A SOLUTION?"**

"Do any of you men in this hall to-day mean to say you can't feed, clothe and shelter those in need—that they must starve?"

"If we in Alberta don't do it, who will? Will you people in Ontario help us? You have your own problems; and so have the people of every other province. Let me say this: If we don't find a solution to these economic problems, starving people will try to find a way out themselves."

—From an address by Premier Aberhart to the Canadian Club, Toronto, September 14.

had to start with only one out of five. "We are producing and consuming close to 1,000 million barrels of oil a year. The most competent evidence now available is to the effect that we have but ten to fifteen years of known cheap supplies at the present rate of consumption."

TAKING THE CAP OFF THE SODA WATER BOTTLE.

Mr. Ickes then went on to explain how, in the wells that had already been tapped, enormous wastage had occurred. We have already seen, how cheerfully Deterding's Shell interests had assisted this wastage. But the Secretary of the Interior brought home another point which we have not yet touched upon, but a point which doubtless the British oil interests have not overlooked.

"Crude petroleum", he said, "is formed in a porous rock generally called oil sand. Because of the propulsive force of gas and underground water, the crude oil moves along through the sands until it reaches some high place covered by a layer of rock through which it cannot seep. There it is trapped under pressure and an oil pool is formed. A drill bites into the pool. The oil rushes to the surface, the flow dwindling as the gas and water pressure declines.

"Think of an oil pool as a bottle of soda water. If a nail is driven through the cap of the bottle, the gas within will bring up the contents steadily and most of the soda water will come out. Yank the cap off and there's a 'whoosh'; the gas is gone and, except for a slight spray of foam, most of the soda water is still inside the bottle. The same is true of an oil field, except that you cannot tilt an oil field up on end and, pour out what the gas fails to bring up. You can pump out some of it, but the lack of gas pressure to force the oil through the rock permits much oil to cling to the rocks.

"Let us assume that each of us has a well tapping an oil pool, 1000 yards apart at the surface. Each of us owns forty acres of the surface. We can fence off our property lines on top, but we cannot fence off our individual shares in the oil below ground. So long as each of us has one well, we will get about the same amount of oil. But suppose I drill

a second well. I will immediately start taking twice as much oil from our common deposit as you can get. Furthermore, the suction around my well bottoms will set up a drawing force that pulls the oil out of the sand under your land. I am going into your safety-deposit box. The result is that, whether you wish it or not, in order to keep your oil from being stolen—because that is what it amounts to—you, also, must drill a second well.

"To show how shrewd you are — and to be in absolute conformity with present day practices in such matters—you put down a couple of more wells just a few yards from the edge of my property. You have put them there deliberately, knowing that they will draw up as much of my oil as they will of yours. Then, to protect myself, I bore a couple of holes, just for good measure, over by your fence. Thus we have offset wells to offset, offset wells. We are in a devastating race to see who can get the most oil out the fastest. We have literally yanked the cap off the oil field.

"Here we have a simple illustration of why such enormous amounts of our good, cheap oil have been left in the ground, to be recovered later, if at all, at exorbitant prices. Too rapid development has placed thousands of wells where hundreds would have given more oil at a lower cost. . . . As the law stands, all that any surface owner has is the right to access to an oil pool. Right of access is of no value unless used and is of most value when most quickly used. Hence the rush to pockmark the surface over a pool with a surfeit of wells. Coal or iron in your mine will remain there until you take it out, but oil will not stay when someone else has opened up a well through which it can escape. One operator can set the pace of drilling and the rate of production for everybody."

One operator can set the pace. There were 150,000 filling stations in the United States in 1929; there were 300,000 in 1934. Oil was being wasted. Oil, with the gas blown off it, was being left inaccessible in the ground. The gas itself was being lost. In Texas alone 1000 million cubic feet a day goes utterly to waste — enough to heat a million and a quarter homes, containing as much heat energy as, in Mr. Ickes's words, "represent in one year the energy necessary to keep our Navy afloat for seven or eight years, and our Army on the move for an even longer period." The same thing is taking place in oilfields all over the United States. And scattered through the United States, as we have already seen, alongside the American producer are the well, the pipeline, and the tank of

**MONEY AND BRICK WALLS**

"I find it impossible to get money to go on with the school building programme of this department. I am up against a brick wall, and I might just as well go and bump my head as try to get money."

—Dr. Harris, Victorian Minister for Education, Oct. 23.

Shell and its subsidiaries. One operator, at least, in setting the pace is determined to make it a cracker.

What did the American Secretary of the Interior say? "One can almost hear the sardonic laughter of nations, jealous of our prestige and covetous of our wealth, as they watch our headlong course toward national bankruptcy in oil while they count every drop of their own hoarded stores of the precious mineral."

Leaving spendthrift America, we shall now go back to where the oil has been shepherded and hoarded.

(To be continued.)

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League of Democrats

CAMPAIGN NOTES.

Last week a special meeting of workers living in the electorates of Balaclava, Henty and Fawkner was held at headquarters to discuss the start of the campaign. Mr. Lagoni, supervisor for Balaclava, reported that his group was ready to start. He was pleased to say that many people who had been interested in monetary reform years ago, but had been inactive, were coming along and offering their services. When he began recruiting he was reasonably sure of 30 workers, but now that he was ready to start he would be able to place approximately 120 workers in the field. Good preliminary work will thus enable Balaclava to set the pace when the campaign starts. Henty recruits were able to report progress. Owing to the scattered nature of the electorate they found that they had half a dozen groups rather widely separated, so were holding a meeting to co-ordinate their activities and elect a supervisor. More will be heard from this electorate shortly. Fawkner was poorly represented at the meeting. A leader is urgently required for this area. Will anyone able to do this job get in touch with the Director at once?

Funds are still urgently required. The response to the appeal for £1 before Christmas has not been remarkable. Will any one who can give £1, either in one sum or in small regular donations, write to The League of Democrats, Block Arcade, Melbourne? Our objective, "Abolish Poverty", will help everyone; so don't let poverty abolish us before the job is done.

ARE WE ECONOMIC ILLITERATES?

We are a nation of economic illiterates. At least, so says one of our bank presidents.

Well, what of it? Are we not a nation of scientific illiterates as well? Do we know more about the principles of physics than we know about the principles of banking? Does the man in the street know more about hydraulic pumps than he knows about marginal utility; or more about the effect of electrolysis on chemical compounds than he knows about the effect of tariffs on the cost of living?"

Probably not. But scientific problems do not confound us. We turn them over to experts. We do not take a vote on how to purify our water supply, or how to construct a tunnel. We do not care how many people believe, and how many people do not believe, that an antitoxin will destroy the germs of diphtheria. We try it on the germs in the laboratory and deal with the disease accordingly. On such subjects, we know that one-man's opinion is as good as another's, and neither is worth anything.

Economic problems, on the other hand, we try to settle by popular vote. Everybody is supposed to know how to draw up tariff schedules and regulate railroad rates. Everybody, by a kind of intuition, is expected to tell a good monetary system from a bad one. Everybody is supposed to know how to solve "the farm problem"; and a few, at least, are supposed to know what the problem is. Such matters we do not refer to experts. We settle them by taking votes.

That is why it does not matter, for practical purposes, what the voters know about the law of falling bodies, but does matter a good deal what they know about the law of falling prices. That is why economic illiteracy is far more serious than scientific illiteracy.

— "Progress and Plenty," by Foster and Catchings

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