THE TRANS- AUSTRALIAN RAILWAY

FACTS VERSUS FICTION.

by E.J.Craigie

During the year 1940 when the Social Credit doctrine, sponsored by Major Douglas, had some support, we published a pamphlet ; "COSTLESS CREDIT", dealing with a number of the erroneous statements made by Social Crediters at that time. They claimed that the Guernsey Market and the East-West Railway were outstanding examples showing how public works could be constructed from what they were pleased to call "Costless Credit". It was claimed these works were constructed without recourse to loans and without the payment of any interest; and there was no reason why all public works should not be provided in similar manner, thus relieving taxpayers of the burden of interest now paid on loan funds.

Such fairy tales were and are at present accepted by a number of people-- including politicians-- who are too tired to study financial and economic problems. Hence we hear them urging the Nationalisation of the Banks as a means of getting control of sufficient "money," so that all public works may be financed without taxation or recourse to the loan market.

As this superstition has friends, and with Federal election looming in the near future, we are again hearing about how the Trans-Australian Railway line was built from the profit made on the Note Issue. Because of this we think the time opportune to reiterate the facts relating to that Line, and to bring the record of Interest and Sinking Fund payments up to date. Here are the official facts.

The Kalgoorlie to Port Augusta Railway was constructed under Act No. 7 of 1911. Clause 20 of that Act provided; ""All moneys necessary for the payment of the cost of construction of the railway up to and including the time of opening of the railway for traffic shall be payable out of the Consolidated Revenue Fund or out of any moneys standing to the Credit of the Loan Fund, according to appropriations made by Parliament for that purpose." The total cost of the railway was £8,470,000. Of this amount £1,286,000 was taken from revenue, and £6,644, 000 from the Works Loan Fund. Of the amount provided from the Works Loan Fund, approximately £5,300,000 was borrowed from the Australian Notes Fund, the balance being borrowed partly from Commonwealth Fumds and partly from the public. The greater portion of the Notes Fund loaned to the Treasurer for this purpose represented profits derived from interest on investments.

When one hears advocates of Social Credit stating that no loan funds were used in connection with the building of the Trans-railway, it is well to direct their attention to the fact that in no less than six Loan Bills passed from 1911 to 1917, amounts were specifically mentioned as to be used in connection with the Kalgoorlie to Port Augusta Railway.

The amounts were as following:-

Loan	Act 24	of	I9II	£ I,000,000
"	Act 22	"	I9I2	304,58I
"	Act 24	"	I9I3	I,400,000
"	Act 30	"	I9I4	2,000,000
"	Act 25	"	I9I5	I,500,000
"	Act 30	"	I9I7	622,000
			Total Loans	£ 6,826,58I

EXPENSIVE CREDIT.

Further information is available that this sum was not "costless credit". An examination of the official Budget papers issued by the Commonwealth Government, reveals that Interest and Sinking Fund was paid out of the revenue from the railway, the amounts being as shown below.

FOR TRANS-AUSTRALIAN RAILWAY.

Year	Amount Interest Paid £	Amount Sinking Fund. £
I920-2I	-	II,677
I92I-22	-	II,677
I922-23	I02,099	I3,20I
I923-24	I03,397	II,605
I924-25	I08,044	II,804
I925-26	II3,380	I2,2I3
I926-27	II7,447	I2,722
I927-28	II9,I52	I3,034
I928-29	I22,453	I3,I95
I929-30	I26,898	I3,690
I930-3I	I27,830	I2,647
I93I-32	I26,033	I4,534
I932-33	II4,438	I5,26I
I933-34	I04, 439	I6,025
I934-35	I0I,I34	I6,826
I935-36	I03,982	I8,455
I936-37	II2,5I7	20,760
I937-38	II0,863	2I,904
I938-39	II6,290	22,999
I939-40	I20,329	24,I49
I940-4I	II9,038	25,356
I94I-42	II8,057	26,6I4
I942-43	II7,050	27,945
I943-44	II6,579	29,335
I944-45	II4,I44	30,798
I945-46	III,043	32,338
I946-47	II0,029	34,005
I947-48	I08,6II	35,704
I948-49	I07,742	37,48I
I949-50	I04,435	39,352
I950-5I	I03,940	4I,3I9
I95I-52	I02,708	43,384
I952-53	I02,I40	45,553
Totals	£ 3,486,350 Interest	£ 757,562 Redemption

With great respect we ask our Social Credit friends whether it is usual to have interest payments and sinking fund associated with "Costless Credit". To those of us who have not yet grasped the intricacies in the magical system of finance known as Social Credit, it does not come as surprise to know that the above interest and sinking fund payments were made, as they are usually associated with ordinary public finance.

It will be noted that during the thirty-three years which relate to the Trans-Australian Railway line, the sum of £3,486,350 has been paid as Interest, and £757,562 set aside as a Sinking Fund to redeem the borrowed funds. The payment of this huge sum in Interest represents no less than 4I.I6 % of the original cost of the Railway. If this is "Costless Credit", it appears very similar to the finance methods condemned as unsound by Social Crediters.

HOW NOTE ISSUE IS WORKED

Admitting that it is possible to pay for some public works out of the profits made on the Australian Note Issue, we stress the fact that such payments must necessarily be very limited. The Note Issue cannot be utilized to an unlimited extent to pay for social services. The fact is the Note Issue Department is something distinct and separate from the other operations of the Commonwealth Bank. It is not generally known how a profit is made by the Note Issue Department, so a little information on that point will be of interest.

Before the Trading Banks can secure notes from the Note Issue Dept.. of the Commonwealth Bank, they must lodge with that Department either gold, sterling or securities. Naturally, as these securities earn interest, it is not likely that a bank will give securities and forego the interest by taking more notes than are actually required for their business purposes. Further, a fact not generally known is that the Commonwealth Bank, like the Trading Banks, must lodge securities with its Note Issue Department before it can get Notes for trading purposes, or making loans. The Note Issue Department makes its profit on the securities lodged with it and also on sterling, as the latter can be invested in short-dated Treasury Bills and earn interest--although at a low rate.

The profit made by the Note Issue Department for the year ended June 30,I953 was £4,860,48I-- a record one because the note issue that year was £328,667,859, owing to the inflationary period we are passing through.

WAR FINANCE BOOSTS C.O.L.

The popular superstition is that just as we use the Note Issue to finance wars, we should also use it to provide the ordinary needs of the community. Hence the frequent demands made for an inflation of the Note Issue by people who have little knowledge of finance. These people are, apparently, not aware of the effect of an inflationary note issue upon the general level of prices. If we take the two war periods we find that from I9I4 to I9I9 the index figures for food , clothing and housing rose from 687 to I022 and from 920 in I939 to II26 in I945.

WAR FINANCE CRIPPLES WAGES.

It is of interest to note the effect of this rise in prices in relation to the wages question. Taking the weighted average of index figures as I000 in I9II, and tracing them through to I952 (December) this is what we find;

Year	Nominal Wage	Real Wages (adult male)
I9II	I,000	I,000
I9I4	I,08I	948
I92I	I,826	I,087
I939	I,846	I,2I0
I945	2,339	I,252
I952	5,428	I,458

These figures taken from official records show that owing to the inflation we have indulged in, the workers have received as NOMINAL wages, a rise of approximately 450 % since I9II, but their REAL wages as expressed in **the food, clothing and housing they could obtain for their money tokens was** only an approximate increase of 50%

MONEY IS A TRICK WORD.

Those who favor the frenzied finance policy of inflation overlook the true function of money. They fail to see that mankind does not live on "money", also that "money" is not needed for wealth production. The factors in production are land, labor and capital. It is only AFTER production has taken place that money is needed as a labor-saving device to facilitate the exchange of the wealth produced.

When this fact is realised we shall hear less about the nationalisation of the banks so that the Note Issue may be inflated. Wealth producers will then realise they are not exploited by banks, but by the laws which they have assisted in placing upon the Statute Books. They have given support to a taxation policy which robs them by direct and indirect methods from the cradle to the grave. They have graciously, but foolishly, allowed community produced land values to flow into private pockets instead of taking them into the public treasury. There is only one way to establish just conditions and that is by abolishing the tax burden placed upon industry and taking land values into the public treasury to defray the cost of government.

Action along this line will produce practical benefits, restore to all people the heritage that has been filched from them, secure to them the full results of their labor, and quieten for all time those Social Crediters, no doubt honest in their intentions, who propagate the fantastic doctrine that all money "comes out of the inkpot", therefore social services should be provided, without the flotation of loans or the payment of interest.