

## SECTION XX.

## STATE FINANCE.

## § 1. General.

1. **Functions of State Governments.**—In any comparison of the finances of the several States due recognition must be made of the actual functions assumed by the respective Governments, and of the local conditions and requirements in each case. Direct comparisons of public expenditure are thus rendered difficult, owing to the fact that functions which in one State are assumed by the Central Government are in another State relegated to local governing bodies, and further by the fact that costly developmental work may, under certain conditions, be not only economically justifiable, but may be an essential of progress, whilst parsimonious expenditure may be a serious economic blunder. A large expenditure may, therefore, be an indication either of gross extravagance and bad economy on the one hand, or of healthy and vigorous progress and good economy on the other.

Similarly, as regards revenue, imposts which in some States are levied by the Central Government, are in others considered as matters to be dealt with locally. Under these circumstances care is needed in instituting comparisons between the several States, and the particulars contained in this section should be read in connexion with those contained in the section dealing with Local Government. It should also be noted that in many ways the budgets of the Australian Governments differ materially from those of most European countries, owing to the inclusion therein of the revenue and expenditure of departments concerned in rendering public services, such for instance as railways, tramways, water supply, etc., which, in other countries are often left to private enterprise.

2. **Accounts of State Governments.**—The various financial transactions of the States are in each case concerned with one or other of three Funds—the “Consolidated Revenue Fund,” the “Trust Funds,” and the “Loan Funds.” All revenue collected by the State is placed to the credit of its Consolidated Revenue Fund, from which payments are made under the authority of an Annual Appropriation Act passed by the Legislature, or by a permanent appropriation under a special Act. The hypothecation of the revenue from a specific tax to the payment for some special service is not practised in Australia, all statutory appropriations ranking on an equality as charges on the Consolidated Revenue Fund. The Trust Funds comprise all moneys held in trust by the Government, and include such items as savings banks funds, sinking funds, insurance companies’ deposits, etc. The Loan Funds are credited with all loan moneys raised by the State, and debited with the expenditure therefrom for public works or other purposes.

3. **Inter-relation of Commonwealth and State Finance.**—The principal alteration in State finance, brought about by Federation, has been that the States have transferred to the Commonwealth the large revenue received by the Customs and Postal Departments and have been relieved of the expenditure connected with these and the Defence Departments, while, in their place, a new item of State revenue has been introduced, viz., the payment to the States of a Commonwealth subsidy. Provision for the taking over by the Commonwealth of certain of the public debts of the States is made in section 105 of the Constitution, and a proposed law extending this provision to the whole of the State indebtedness, which passed both Houses of the Federal Legislature by the statutory majority, was submitted to a referendum at the election in April, 1910, and received the requisite endorsement by the electorate. No action has as yet been taken, although the subject has, on more than one occasion, been under discussion.

## § 2. State Consolidated Revenue Funds.

### (A) Receipts.

1. Sources of Revenue.—The principal sources of State revenue are :—

- (a) Taxation.
- (b) The public works and services controlled by the State Governments.
- (c) Sale of and rental from Crown lands.
- (d) The Commonwealth subsidy.
- (e) Miscellaneous sources, comprising fines, fees, interest, etc.

Of these sources, that yielding the largest revenue for the States as a whole is the group of public works and services, the principal contributor being the Government railways and tramways. Next in magnitude comes Taxation, followed in order by the Commonwealth Subsidy and Land Revenue.

2. Amount Collected.—The following table furnishes particulars of the total amount of consolidated revenue received by the several States during the six years 1913-14 to 1918-19 :—

STATE REVENUE, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
1913-14	18,298,625	10,730,961	6,973,259	4,822,766	5,205,343	1,238,085	47,269,039
1914-15	18,928,551	10,529,017	7,202,658	3,973,310	5,140,725	1,244,095	47,018,356
1915-16	19,629,442	11,470,875	7,706,365	4,356,967	5,356,978	1,376,493	49,897,120
1916-17	20,537,835	11,813,879	7,880,893	4,374,603	4,577,007	1,369,368	51,053,585
1917-18	21,577,229	12,672,787	8,491,482	5,526,226	4,622,536	1,503,047	54,393,307
1918-19	23,448,166	13,044,088	9,415,543	5,798,313	4,944,850	1,581,984	58,232,944

The figures given in this table relate in each instance to the financial year ended 30th June.

During the five years from 30th June, 1914, to 30th June, 1919, the aggregate revenues of the States increased by no less a sum than £10,963,905, or about 24 per cent. Increases were in evidence in all the States except Western Australia, the largest being that of £5,149,541 in New South Wales. This general advance is the more notable since, during recent years, a much smaller amount has been received from the Commonwealth, in the way of subsidy, than was the case up to 1910.

3. Revenue per Head.—Details concerning the revenue per head of population, collected in the several States of the Commonwealth during the six years 1913-14 to 1918-19, are furnished in the table given hereunder. It will be seen that throughout the period Western Australia has collected by far the largest amount per head, and that Tasmania has collected the least.

STATE REVENUE PER HEAD OF POPULATION, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1913-14 ..	9 19 10	7 12 0	10 11 3	10 19 2	16 4 8	6 2 9	9 14 1
1914-15 ..	10 3 1	7 7 2	10 12 10	8 19 11	15 18 3	6 3 6	9 10 3
1915-16 ..	10 10 1	8 1 10	11 6 6	9 18 2	16 16 11	6 16 11	10 2 4
1916-17 ..	11 1 0	8 8 9	11 15 4	11 5 9	14 16 5	6 17 0	10 9 5
1917-18 ..	11 9 7	8 19 7	12 6 8	12 13 4	14 18 9	7 8 0	11 0 5
1918-19 ..	12 3 0	9 2 4	13 11 2	13 0 2	15 15 6	7 11 6	11 11 6

In all the States, during the period, with the exception of Western Australia, there has been a marked increase in the State revenue collections per head, the most noticeable advance being £2 19s. 11d. in the case of Queensland. Western Australia throughout the period has led the other States, and in 1918-19 the revenue per head in that State exceeded the Commonwealth average by about 36 per cent. South Australia shewed a marked decline in 1914-15, due largely to a diminished revenue from public works and services, but has since recovered.

4. Details for 1918-19.—Classifying the revenue of the several States in the manner indicated in § 2 (A) 1 above, particulars for the year 1918-19 are as follows:—

## DETAILS OF STATE REVENUE, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
Taxation .. ..	4,083,990	2,744,946	2,772,269	1,185,451	629,061	555,537	11,971,254
Public works and services ..	14,490,493	7,122,668	4,115,269	3,314,008	2,681,017	493,069	32,216,524
Land .. ..	1,828,407	285,636	1,083,853	290,378	345,065	85,571	3,918,910
Commonwealth subsidy .. ..	2,380,139	1,764,239	853,367	549,593	556,505	(a) 347,557	6,451,400
Miscellaneous .. ..	665,137	1,126,599	590,785	458,883	733,202	100,250	3,674,856
Total .. ..	23,448,166	13,044,088	9,415,543	5,798,313	4,944,850	1,581,984	58,232,944

(a) Including special grant of £90,000.

It will be noted that the amounts returned under the heading "Commonwealth subsidy" do not always agree with those given in the chapter on Commonwealth Finance, page 772. This arises from the fact that the State figures shew the amount for which credit was taken by the State during the financial year 1918-19, whilst the Commonwealth figures shew the amounts paid to State Treasurers on account of that financial year.

5. Revenue per Head, 1918-19.—Particulars concerning the revenue per head of population in each State derived from the several sources enumerated in the preceding paragraph are given hereunder:—

## STATE REVENUE FROM VARIOUS SOURCES PER HEAD OF POPULATION, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Taxation .. ..	2 2 4	1 18 4	3 19 10	2 13 2	2 0 2	2 13 2	2 7 7
Public works and services ..	7 10 2	4 19 7	5 18 6	7 8 9	8 11 1	2 7 3	6 8 1
Land .. ..	0 18 11	0 4 0	1 11 3	0 13 0	1 2 0	0 8 2	0 15 7
Commonwealth subsidy .. ..	1 4 8	1 4 8	1 4 7	1 4 8	1 15 6	1 13 4	1 5 8
Miscellaneous .. ..	0 6 11	0 15 9	0 17 0	1 0 7	2 6 9	0 9 7	0 14 7
Total .. ..	12 3 0	9 2 4	13 11 2	13 0 2	15 15 6	7 11 6	11 11 6

The magnitude of the revenue per head from public works and services in the case of Western Australia is mainly due to the fact that the number of miles of railway in that State is large compared with the population, while the revenue-earning power of the railways is also high.

6. Relative Importance of Sources of Revenue.—The following table furnishes an indication of the relative importance of the different sources of revenue in the several

States, the figures given being the percentage which each item of revenue bears to the total for the State for the year 1918-19 :—

PERCENTAGE OF ITEMS ON TOTAL STATE REVENUE, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Taxation .. .. .	17.41	21.04	29.44	20.44	12.72	35.11	20.56
Public works and services ..	61.80	54.60	43.71	57.15	54.22	31.17	55.33
Land .. .. .	7.80	2.19	11.51	5.01	6.98	5.41	6.72
Commonwealth subsidy .. ..	10.15	13.53	9.06	9.50	11.25	21.97	11.08
Miscellaneous .. .. .	2.84	8.64	6.28	7.90	14.83	6.34	6.31
Total .. .. .	100.00	100.00	100.00	100.00	100.00	100.00	100.00

7. State Taxation.—(a) *Details, 1918-19.* Prior to the inauguration of Federation the principal source of revenue from taxation was the return from duties of Customs and Excise. At the present time the most productive form of State taxation is the income tax, which is now imposed in all the States (Western Australia, the last of the States to adopt this method of taxation, having passed the necessary legislation during the Parliamentary session of 1907). For 1918-19 probate and succession duties and stamp duties occupied second place. In addition to these a State land tax is now collected in all the States, license fees of various kinds are also collected in all the States, while a dividend tax is levied in Western Australia. The total revenue from taxation collected by the States during the year 1918-19 was £11,971,254, details of which are set forth in the table given hereunder :—

STATE REVENUE FROM TAXATION, 1918-19.

Taxation.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Probate and succession duties	575,875	718,194	387,742	221,729	40,329	64,410	3,701,584
Other stamp duties .. .. .	687,304	583,818	213,130	112,104	96,949	96,949	1,180,793
Land tax .. .. .	2,800	324,232	578,253	154,621	34,182	86,705	6,123,446
Income tax .. .. .	2,355,243	928,210	1,677,335	542,007	(a)359,623	261,028	515,233
Licenses .. .. .	167,359	179,338	85,054	28,706	40,324	14,452	450,198
Other taxation .. .. .	295,409	11,154	43,885	25,258	42,499	31,993	
Total .. .. .	4,083,990	2,744,946	2,772,269	1,185,451	629,061	555,537	11,971,254

(a) Includes £133,062 dividend tax.

(b) *Summary, 1913-14 to 1918-19.* The total amount raised by means of taxation by the several State Governments during the six years 1913-14 to 1918-19 is given in the following table :—

STATE REVENUE FROM TAXATION, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
1913-14 ..	2,330,005	1,598,876	887,798	730,640	386,104	371,413	6,304,836
1914-15 ..	2,955,670	1,762,041	954,457	588,690	371,960	367,577	7,000,395
1915-16 ..	3,117,221	2,074,839	1,455,358	701,511	407,997	384,820	8,141,746
1916-17 ..	3,629,404	2,237,016	1,564,044	726,645	402,336	438,632	8,998,077
1917-18 ..	3,860,501	2,310,723	1,761,232	1,016,887	449,457	533,383	9,932,183
1918-19 ..	4,083,990	2,744,946	2,772,269	1,185,451	629,061	555,537	11,971,254

During the period between 30th June, 1914, and 30th June, 1919, the aggregate State revenue from taxation increased by about 90 per cent., the increase varying considerably in the several States. The remarkable increase of the last five years in New South Wales is due principally to the broadening of the basis of the State Income Tax, and increased receipts from Stamp Duties. Queensland collected a land tax for the first time in 1915-16, and substantially increased the income tax in 1918-19. Tasmania imposed in 1917-18 a super tax on incomes, and a tax on motor vehicles. The total increase in State taxation for the year 1918-19 amounted to £2,039,071, or more than 20 per cent.

The revenue from State taxation per head of population, collected in the several States during each of the years 1913-14 to 1918-19, was as follows :—

## STATE TAXATION PER HEAD, 1914-15 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1913-14 ..	1 5 5	1 2 8	1 6 11	1 13 2	1 4 1	1 16 10	1 5 11
1914-15 ..	1 11 8	1 4 8	1 8 2	1 6 8	1 3 0	1 16 6	1 8 4
1915-16 ..	1 13 4	1 9 3	2 2 9	1 11 11	1 5 8	1 18 3	1 13 0
1916-17 ..	1 19 1	1 12 0	2 6 9	1 13 8	1 6 1	2 3 11	1 16 11
1917-18 ..	2 1 1	1 12 9	2 11 2	2 6 7	1 9 1	2 12 6	2 0 3
1918-19 ..	2 2 4	1 18 4	3 19 10	2 13 2	2 0 2	2 13 2	2 7 7

Taking the States as a whole, the State taxation increased by 21s. 8d. per head during the period from 1913-14 to 1918-19, the most marked increase occurring in the case of Queensland. Most of the advance took place in the last two years, and was chiefly due to the Land Tax.

8. Commonwealth and State Taxation.—For the purpose of obtaining an accurate view of the extent of taxation imposed on the people of the Commonwealth by the central governing authorities, it is necessary to add together the Commonwealth and State collections. This has been done in the table given hereunder, which contains particulars concerning the total taxation for each of the years 1913-14 to 1918-19, as well as the amount per head of population :—

## COMMONWEALTH AND STATE TAXATION, 1913-14 TO 1918-19.

Particulars.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
Commonwealth taxation ..	16,587,906	16,870,596	23,533,529	24,527,040	24,660,743	32,864,486
State taxation ..	6,304,836	7,000,395	8,141,746	8,998,077	9,932,183	11,971,254
Total ..	22,892,742	23,870,991	31,675,275	33,525,117	34,538,926	44,835,740
Taxation per head ..	£4/14/0	£4/16/7	£6/8/5	£6/17/6	£7/0/0	£8/18/3

Whilst the Commonwealth taxation increased during the period by £16,276,580, the State taxation advanced by £5,666,418, the aggregate increase being £21,942,998. The amount *per capita* of total taxation remained fairly constant for some years previous to 1914-15, at an average of about £4 15s. In the last four years, however, it has reached

an abnormally high amount, owing to the imposition of fresh direct taxation by the Commonwealth Government. The large increase in Commonwealth taxation in recent years is mainly due to the appearance of the Federal land tax, Federal income tax, Federal succession duties, and other taxes.

9. **Public Works and Services.**—A very large proportion of the revenue of all the States of the Commonwealth is made up of the receipts from the various public works and services under the control of the several Governments. The principal of these are railways and tramways, harbour works, and water supply and sewerage, while in addition, State batteries for the treatment of auriferous ores exist in Western Australia, and various minor revenue-producing services are rendered by the Governments of all the States. For the year 1918-19 the aggregate revenue from these sources totalled £32,216,524, or nearly 55 per cent. of the revenue from all sources. Details of revenue from public works and services for the year 1918-19 are as follows:—

STATE REVENUE FROM PUBLIC WORKS AND SERVICES, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways ..	12,183,026	6,422,133	3,983,077	2,379,808	2,012,811	397,146	27,378,001
Harbour services ..	705,330	101,210	31,430	238,503	106,287	..	1,183,260
Public batteries ..	..	828	..	..	57,876	..	58,704
Water supply and sewerage	1,234,340	2234,846	..	300,114	371,615	..	2,140,915
Other public services ..	367,297	363,651	150,762	395,583	132,428	95,223	1,455,644
<b>Total .. ..</b>	<b>14,490,493</b>	<b>7,122,668</b>	<b>4,115,269</b>	<b>3,314,008</b>	<b>2,681,017</b>	<b>493,069</b>	<b>32,216,524</b>

(a) Water supply only.

10. **Land Revenue.**—The revenue derived by the States from the sale and rental of Crown lands has, with few exceptions, been treated from the earliest times as forming part of their respective Consolidated Revenue Funds, and has been applied to meet ordinary current expenses. Where the rentals received are for lands held for pastoral or for residential purposes, such application of the revenue appears perfectly justifiable. On the other hand, where the rentals are those of mineral and timber lands, and in all cases of sales of lands, such a proceeding is essentially a disposal of capital in order to defray current expenses and as a matter of financial procedure is open to criticism. In the following table particulars of revenue derived from sales and rental of Crown lands are given for the year 1918-19:—

STATE LAND REVENUE, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Sales ..	1,059,923	138,648	291,890	151,116	300,604	50,686	1,992,867
Rentals ..	768,484	146,988	791,963	139,262	44,461	34,885	1,926,043
<b>Total .. ..</b>	<b>1,828,407</b>	<b>285,636</b>	<b>1,083,853</b>	<b>290,378</b>	<b>345,065</b>	<b>85,571</b>	<b>3,918,910</b>

11. **Commonwealth Subsidy.**—The payments to the States of Commonwealth subsidy represent in each instance a considerable proportion of the States' revenue, and for the year 1918-19 aggregated £6,451,400. This represents a great decline from the amounts

received up to 1910, owing to the new system of allotting the subsidy. The percentage which the subsidy received by each State for 1918-19 was of the total revenue of that State is shewn in the following table :—

## COMMONWEALTH SUBSIDY PAID TO STATES DURING 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Commonwealth subsidy	2,380,139	1,764,239	853,367	549,593	556,505	(a)347,557	6,451,400
Total revenue	23,448,166	13,044,088	9,415,543	5,798,313	4,944,850	1,581,984	58,232,944
Percentage of subsidy on revenue	10.15	13.53	9.06	9.50	11.25	21.97	11.08

(a) Including special grant of £90,000.

The amount of subsidy here shewn is that for which the several States took credit during the year 1918-19. (See also page 789.)

12. **Miscellaneous Items of Revenue.**—In addition to the foregoing sources of revenue there are in each State several miscellaneous ones, including such items as interest, fines, fees, etc., which for the year 1918-19 aggregated £3,674,856.

## (B) Disbursements.

1. **Heads of Expenditure.**—The principal heads of State expenditure from Consolidated Revenue Funds are :—

- (a) Interest and sinking funds in connection with public debt.
- (b) Working expenses of railways and tramways.
- (c) Justice.
- (d) Police.
- (e) Penal establishments.
- (f) Education.
- (g) Medical and charitable expenditure.
- (h) All other expenditure.

Of these items, that of working expenses of railways and tramways was the most important, and for the year 1918-19 represented about 35 per cent. of the aggregate expenditure from the Consolidated Revenue Fund. Next in order for that year was the item of interest and sinking fund in connexion with the public debt, then education, medical and charitable expenditure, and police in the order named.

2. **Total Expenditure.**—The total expenditure from Consolidated Revenue Funds in the several States during each of the years 1913-14 to 1918-19 is furnished in the table given hereunder :—

## STATE EXPENDITURE, CONSOLIDATED REVENUE FUNDS, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
1913-14	17,701,851	10,717,642	6,962,516	4,604,130	5,340,754	1,235,014	46,561,907
1914-15	17,935,748	11,706,968	7,199,399	4,662,395	5,706,542	1,384,150	48,595,202
1915-16	18,931,814	11,683,363	7,671,573	4,741,377	5,705,201	1,340,711	50,074,039
1916-17	20,806,633	11,795,295	8,134,387	5,190,453	5,276,764	1,412,893	52,616,425
1917-18	21,553,405	12,631,169	8,900,934	5,500,419	5,328,279	1,459,748	55,373,954
1918-19	23,233,398	13,023,407	9,587,532	5,876,811	5,596,864	1,644,512	58,962,524

As in the case of the table previously given for revenue, the above figures relate to the year ended 30th June.

3. **Expenditure per Head.**—Owing to the varying conditions of the several States and the extent to which the different functions of Government are distributed therein between central and local governing authorities, the expenditure per head from Consolidated Revenue Funds differs materially in the several States, being highest in the case of Western Australia and lowest in that of Tasmania. The expenditure per head of population for each State for the years 1913-14 to 1918-19 is as follows :—

## STATE EXPENDITURE PER HEAD, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1913-14	9 13 3	7 11 10	10 10 11	10 9 3	16 13 1	6 2 6	9 11 2
1914-15	9 12 8	8 3 8	10 12 7	10 11 1	17 13 4	6 17 5	9 16 8
1915-16	10 2 7	8 4 10	11 5 6	10 15 8	17 18 10	6 13 4	10 3 1
1916-17	11 3 11	8 8 6	12 3 0	12 0 5	17 1 9	7 1 4	10 15 10
1917-18	11 9 3	8 19 0	12 18 6	12 12 2	17 4 5	7 3 8	11 4 5
1918-19	12 0 9	9 2 0	13 16 2	13 3 8	17 17 1	7 17 6	11 14 5

The total expenditure per head has increased every year in the period under review, although there have been fluctuations in the individual States.

4. **Details of Expenditure for 1918-19.**—The following table furnishes for the year 1918-19 particulars as to the expenditure of the several States under each of the principal heads :—

## DETAILS OF STATE EXPENDITURE, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Public debt (interest, sinking fund, etc.) ..	5,403,007	3,388,525	2,557,687	1,753,801	1,976,876	687,771	15,857,727
Railways and tramways (working expenses) ..	8,729,567	4,261,082	3,701,134	1,866,712	1,879,812	340,190	20,578,497
Justice ..	380,409	166,675	127,205	56,354	59,069	13,351	803,066
Police ..	645,955	401,864	245,802	151,069	133,706	54,960	1,635,356
Penal establishments ..	87,375	54,268	35,346	24,216	21,596	6,418	229,719
Education ..	2,125,659	1,238,873	804,744	412,588	386,234	160,009	5,123,157
Medical and charitable ..	1,003,246	763,692	748,669	270,280	310,737	121,183	3,217,507
All other expenditure ..	4,765,620	2,748,428	1,365,942	1,341,791	1,028,754	260,630	11,512,195
<b>Total ..</b>	<b>23,233,398</b>	<b>13,023,407</b>	<b>9,587,532</b>	<b>5,876,811</b>	<b>5,596,864</b>	<b>1,644,512</b>	<b>58,962,524</b>

5. **Expenditure per Head, 1918-19.**—The expenditure per head of population of the several States for the year 1918-19 under each of the principal items, is given hereunder :—

## STATE EXPENDITURE PER HEAD, 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Public debt (interest, sinking fund, etc.) ..	2 16 11	2 7 4	3 13 8	3 18 8	6 6 2	3 5 10	3 3 0
Railways and tramways (working expenses) ..	4 10 5	2 19 7	5 6 7	4 3 9	5 7 2	1 12 7	4 1 10
Justice ..	0 4 0	0 2 4	0 3 8	0 2 6	0 3 9	0 1 4	0 3 3
Police ..	0 6 8	0 5 7	0 7 1	0 6 9	0 8 6	0 5 3	0 6 6
Penal establishments ..	0 0 11	0 0 9	0 1 0	0 1 1	0 1 5	0 0 7	0 0 11
Education ..	1 2 0	0 17 4	1 3 2	0 18 6	1 4 8	0 15 4	1 0 5
Medical and charitable ..	0 10 5	0 10 8	1 1 7	0 12 2	0 19 10	0 11 7	0 12 9
All other expenditure ..	2 9 5	1 18 5	1 19 5	3 0 3	3 5 7	1 15 0	2 5 9
<b>Total ..</b>	<b>12 0 9</b>	<b>9 2 0</b>	<b>13 16 2</b>	<b>13 3 8</b>	<b>17 17 1</b>	<b>7 17 6</b>	<b>11 14 5</b>

6. **Relative Importance.**—The relative importance of the items of expenditure enumerated above varies considerably in the several States. This will readily be seen from the following table, giving for each State the percentage of the expenditure under the various items, on the total expenditure for the State:—

**PERCENTAGE OF ITEMS ON TOTAL STATE EXPENDITURE, 1918-19.**

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Public debt (interest, sinking fund, etc.)	23.64	26.02	26.68	29.84	35.32	41.82	26.89
Railways and tramways (working expenses)	37.57	32.72	38.60	31.76	30.01	20.69	34.90
Justice	1.64	1.28	1.33	0.97	1.06	0.81	1.36
Police	2.78	3.09	2.57	2.57	2.39	3.34	2.77
Penal establishments	0.38	0.42	0.37	0.41	0.39	0.39	0.39
Education	9.15	9.51	8.39	7.02	6.90	9.73	8.70
Medical and charitable	4.32	5.86	7.81	4.60	5.55	7.37	5.46
All other expenditure	20.52	21.10	14.25	22.83	18.38	15.85	19.53
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Taken together, the interest and sinking fund on the public debt, and the working expenses of the railways and tramways, represented for the year 1918-19 about 60 per cent. of the aggregate State expenditure, a proportion which has been maintained with great regularity for many years past.

**(C) Balances.**

1. **Position on 30th June, 1919.**—On various occasions in each of the States the revenue collected for a financial year has failed to provide the funds requisite for defraying the expenditure incurred during that year, the consequence being a deficit which is usually liquidated either by cash obtained from trust funds, or by the issue of Treasury bills. In some of the States a number of such deficits has occurred, interspersed with occasional surpluses, the result being an accumulating overdraft, which in certain instances assumed very large proportions. Thus, during the period of financial stress resultant upon the crisis of 1893 and the drought conditions of succeeding years, the accumulated overdrafts of several of the States grew very rapidly, and the situation has changed very much for the worse in the years preceding 1918-19, so that not one of the States now has a credit balance. The position of the balances of the several Consolidated Revenue Funds on 30th June, 1919, was as follows:—

**STATE CONSOLIDATED REVENUE FUND BALANCES, 30th JUNE, 1919.**

State.	Cash Credit Balances.	Debit Balance.		Net Result.
		Cash Overdraft.	Overdraft liquidated by Treasury Bills.	
	£	£	£	£
New South Wales	..	244,545	..	Dr. 244,545
Victoria	..	163,922	1,353,285	Dr. 1,517,207
Queensland	..	171,988	..	Dr. 171,988
South Australia	..	1,223,398	..	Dr. 1,223,398
Western Australia	..	652,014	2,766,466	Dr. 3,418,480
Tasmania	..	131,741	..	Dr. 131,741
Total	..	2,587,608	4,119,751	Dr. 6,707,359

**(D) Principal State Taxes.****(a) Probate and Succession Duties.**

1. **General.**—Probate duties have been levied for a considerable time in all the States of the Commonwealth. From the provisions of the several State Acts governing the payment of duty, it will be seen that both the ordinary rates and those which apply to special beneficiaries differ widely in several cases. A table shewing the values of the estates in the various States in which probates and letters of administration were granted is shewn hereinafter. (See Section XXIII. § 5 (4).)

The duty collected in the several States for the financial years 1913–14 to 1918–19 is as follows :—

**AMOUNT OF PROBATE AND SUCCESSION DUTIES COLLECTED, 1913–14 TO 1918–19.**

State.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.
	£	£	£	£	£	£
New South Wales	512,529	551,629	645,554	826,769	677,433	575,875
Victoria.. ..	457,042	536,869	510,032	546,400	506,662	718,194
Queensland	89,835	112,740	136,277	146,077	121,986	(a)
South Australia ..	226,367	113,734	183,919	134,620	170,185	221,729
Western Australia	30,662	40,156	44,284	40,963	38,710	40,329
Tasmania ..	29,094	38,252	36,700	37,310	50,688	64,410
Total ..	1,345,529	1,393,380	1,556,766	1,732,139	1,565,664	1,620,537 (b)

(a) Included in Stamp Duties.

(b) Excluding Queensland.

For particulars relating to the legislation of the different States on probate and succession duties see Year Book No. 6, pp. 815–818.

**(b) Stamp Duties.**

1. **Revenue.**—The revenue derived by the several States of the Commonwealth from stamp duties for the years 1913–14 to 1918–19 is shewn in the accompanying table :—

**STAMP REVENUE (EXCLUSIVE OF PROBATE AND SUCCESSION DUTIES),  
1913–14 TO 1918–19.**

State.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.
	£	£	£	£	£	£
New South Wales	377,707	552,762	522,992	550,211	616,180	687,304
Victoria.. ..	278,240	289,384	400,056	376,196	507,573	583,818
Queensland	205,635	208,664	185,734	175,186	205,674	a 387,742
South Australia ..	101,094	81,007	114,169	145,079	179,521	213,130
Western Australia	77,051	64,398	64,858	67,035	80,720	112,104
Tasmania ..	83,202	73,754	69,888	77,636	96,215	96,949
Total ..	1,122,929	1,269,969	1,357,697	1,391,343	1,685,883	2,081,047

a Including Queensland probate and succession duties.

2. **Bank Notes.**—Promissory notes issued by any bank were not required to bear a duty stamp either impressed or adhesive, and might be re-issued as often as thought fit. An annual composition was, however, paid in lieu of stamp duty up to 1910. This

composition was payable quarterly, and was the same in all States, being at the rate of £2 per annum on every £100 or part thereof of the average annual amount of bank notes in circulation. On 2nd June, 1893, the Treasury Notes Act of Queensland was assented to, by which the issue of Treasury notes payable on demand was authorised. These notes were used exclusively by the banks in that State, but their issue was prohibited by the Federal Bank Note Tax Act, and they have now passed out of circulation. (See Section XXI., Private Finance.)

The issue of bank notes by the banks has practically ceased owing to this Act, which passed the Federal Parliament in the session of 1910, and was assented to on 10th October, 1910. Further reference is made to the Act in the section dealing with Private Finance. It is sufficient to say here that it imposed a tax of 10 per cent. per annum on all bank notes issued or re-issued by any bank in the Commonwealth after the commencement of the Act and not redeemed.

For further details concerning Stamp Duty Legislation, see Year Book No. 7, p. 723.

### (c) Land Tax.

1. **General.**—All the States now impose a Land Tax, although Queensland, the last State to fall into line, only collected its first levy in 1915-16. Western Australia imposed its first tax in 1907, but in the other States the impost is of very long standing.

The following table shews the amount collected by means of such taxes during the financial years 1913-14 to 1918-19 :—

#### STATE LAND TAX COLLECTIONS, 1913-14 TO 1918-19.

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
New South Wales	4,692	3,346	3,190	3,215	2,921	2,800
Victoria.. ..	302,224	303,550	352,353	369,486	353,156	324,232
Queensland .. ..	..	..	247,044	362,535	344,547	578,253
South Australia ..	136,602	131,896	154,483	139,372	165,469	154,621
Western Australia	46,201	36,433	47,716	42,431	63,388	34,182
Tasmania .. ..	79,085	80,863	82,436	83,595	84,701	86,705
Total .. ..	568,804	556,088	887,222	1,000,634	1,014,182	1,180,793

### (d) Income Tax.

1. **General.**—A duty on the income of persons, whether it be derived from personal exertion or from property, is now imposed in all the States of the Commonwealth. As might be expected, the rates, exemptions, etc., are widely divergent in the different States, but the general principles of the several Acts are similar. The Dividend Duties Acts of Queensland and Western Australia—the former of which is now repealed—supplied to a certain extent the place of an income tax in those States in former years, but, with the increasing demands upon the State Treasury, the levying of a direct income tax has been found necessary.

In the following table particulars are furnished concerning the total amount collected in the several States during the years 1913-14 to 1918-19. In the case of Western Australia the amount of dividend duty collected is included, this tax being closely allied to the income tax.

## STATE INCOME AND DIVIDEND TAXES, 1913-14 TO 1918-19.

State.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.
	£	£	£	£	£	£
New South Wales	1,290,370	1,653,923	1,707,403	1,973,477	2,182,117	2,355,243
Victoria ..	527,705	506,214	702,745	766,746	773,468	928,210
Queensland ..	472,918	517,273	766,560	756,292	967,420	1,677,335
South Australia ..	240,996	236,270	212,418	264,946	452,303	542,007
Western Australia	174,558	174,561	195,249	196,221	207,963	359,623
Tasmania ..	162,458	157,595	177,730	216,278	259,869	261,028
Total ..	2,869,005	3,245,836	3,762,105	4,173,960	4,843,140	6,123,446

## § 3. Trust Funds.

1. *Nature.*—In addition to the moneys received by the several State Governments as revenue, and paid to the credit of their respective Consolidated Revenue Funds, considerable sums are held by the Governments in trust for various purposes. One of the chief sources of these trust funds is the State Savings Bank, which exists in each State either as a Government department or under the control of a Board acting under Government supervision or Government guarantee. In most of the States also, sinking funds for the redemption of public debt are provided, and the moneys accruing thereto are paid to the credit of the appropriate trust funds. A similar course is followed in the case of municipal sinking funds placed in the hands of the Government. In all the States except New South Wales, life assurance companies carrying on business are required to deposit a substantial sum in cash or approved securities with the Government, and these deposits go to further swell the trust funds. Various other deposit accounts, superannuation funds, suspense accounts, etc., find a place in these funds. The trust funds have at various times enabled the several State Treasurers to tide over awkward financial positions, but the propriety of allowing deficits to be frequently liquidated in this manner is open to question.

2. *Extent of Funds.*—The amount of such funds held by the several State Governments on 30th June, 1919, was as follows:—

## STATE TRUST FUNDS ON 30th JUNE, 1919.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
Amount of trust funds	6,222,291	12,286,480	188,259	2,333,148	14,486,134	902,539	36,042,333

## § 4. Loan Funds.

1. *Nature.*—As early in the history of Australia as 1842 it was deemed expedient to supplement the revenue collections by means of borrowed moneys, the earliest of the loans so raised being obtained by New South Wales for the purpose of assisting immigration, at rates of interest varying from 2½d. to 5½d. per £100 per diem, or approximately from 4½ per cent. to 8 per cent. per annum. The principal reason for Australian public borrowing, however, has been the fact that the Governments of the several States have, in addition to ordinary administrative duties, undertaken the performance of many functions which, in other countries, are usually entrusted to local authorities, or left to the initiative of private enterprise. Principal amongst these have been the construction of railways and the control of the railway systems of the several States, while the assumption by the State Governments of responsibilities in connexion with improvements to harbours and rivers, and the erection of lighthouses, as well as the construction of works for the purposes of water supply and sewerage, have materially swelled the amounts which it has been considered expedient to obtain by means of loans.

The Australian State loan expenditure and public debt thus differ very materially from those of most European countries, and also from those of the Commonwealth, where such expenditure was very largely incurred for purposes of defence, or absorbed in the prosecution of war. The State debts of Australia, on the other hand, consist in the main of moneys raised and expended with the object of assisting the development of the resources of the Commonwealth, and are, to a very large extent, represented by tangible assets such as railways, tramways, waterworks, etc.

2. **Loan Expenditure, 1918-19.**—During the year ended 30th June, 1919, the actual expenditure of the Australian States from loan funds amounted to £13,218,776, New South Wales with a total of £3,918,887 being the principal contributor to this amount. The chief item of expenditure for the year was that of railways and tramways, which represented a total of £4,363,708, water supply and sewerage works contributing the amount of £1,915,534; the expenditure on harbours, rivers, etc., and roads and bridges totalling £997,334, and land purchases for settlement, loans to local bodies, advances to settlers, etc., were the most important of the remaining items. The item "land purchases for settlement" is particularly prominent, and is likely to remain so for some time to come. Details for the year for each State are given in the following table:—

## STATE LOAN EXPENDITURE, 1918-19.

Heads of Expenditure.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways ..	1,543,857	878,384	1,416,302	324,041	161,959	39,165	4,363,708
Water supply and sewerage	1,027,708	412,267	839	428,084	46,636	..	1,915,534
Harbours, rivers, etc. }	309,650	374,325	..	139,086	74,258	100,015	997,334
Roads and bridges }	..	..	..	..	..	..	..
Public buildings ..	47,281	642	114,131	42,057	21,570	30,624	256,305
Development of mines, etc.	..	(a) 415	..	..	16,152	..	15,737
Advances to settlers ..	7,942	3,766	..	1,055,904	153,948	(a) 3,916	1,217,644
Land purchases for settlement	..	1,157,230	..	(a) 6,465	138,135	208,533	1,497,433
Loans to local bodies ..	(a) 5,743	..	470,972	..	..	78,609	543,838
Rabbit-proof fences ..	7,206	..	74	(a) 27,554	..	..	(a) 20,274
Other public works and purposes	980,986	106,322	734,094	51,013	437,078	122,024	2,431,517
<b>Total .. ..</b>	<b>3,918,887</b>	<b>2,932,521</b>	<b>2,736,412</b>	<b>2,006,166</b>	<b>1,049,736</b>	<b>575,054</b>	<b>13,218,776</b>

(a) Repayment.

3. **Aggregate Loan Expenditure.**—The total loan expenditure of the Australian States from the initiation of the borrowing system to the 30th June, 1919, has amounted to no less a sum than £394,938,563. The manner in which this sum has been spent in the several States is furnished in the following table:—

## AGGREGATE STATE LOAN EXPENDITURE TO 30th JUNE, 1919.

Heads of Expenditure.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways ..	90,405,038	55,550,911	39,854,697	20,962,909	17,974,822	5,505,765	230,254,142
Telegraphs and telephones	1,761,844	..	996,587	991,773	..	142,410	3,892,614
Water supply and sewerage	25,969,462	12,803,705	3,148,857	9,780,140	4,931,864	..	56,634,028
Harbours, rivers etc. }	16,959,042	2,867,009	3,353,790	5,421,823	4,087,658	4,959,912	37,649,234
Roads and bridges }	..	..	..	..	..	..	..
Defence ..	1,457,536	149,323	363,084	291,615	..	128,224	2,389,782
Public buildings ..	7,978,273	2,410,355	2,051,104	1,552,723	818,633	1,245,770	16,056,858
Immigration ..	569,930	..	2,763,070	..	395,312	235,000	3,963,312
Development of mines, etc.	..	510,659	..	5,111	1,744,731	..	2,260,501
Advances to settlers ..	66,402	878,915	..	3,826,391	2,762,676	103,521	7,631,905
Land purchases for settlement	489,000	6,469,334	..	1,982,211	462,797	621,657	10,024,999
Loans to local bodies ..	(a) 7,576	..	2,879,293	..	64,491	1,341,850	4,278,058
Rabbit-proof fences ..	52,662	..	..	264,235	328,703	..	645,600
Other public works and purposes ..	2,079,426	6,077,073	2,880,631	2,683,479	4,193,543	1,343,378	19,257,530
<b>Total .. ..</b>	<b>147,781,039</b>	<b>87,717,284</b>	<b>58,291,113</b>	<b>47,756,410</b>	<b>37,765,230</b>	<b>15,627,487</b>	<b>394,938,563</b>

(a) Repayment.

It must be noted that the figures furnished in this table represent the amounts actually spent, and consequently differ somewhat from those given later in the statements relating to the public debt, which represent amount of loans still unpaid at a given date. The loan expenditure statement includes all such expenditure, whether the loans by means of which the necessary funds were raised have been repaid or are still in existence. On the other hand, in the public debt statement loans repaid are excluded, but in the case of loans still outstanding each is shewn according to the amount repayable at maturity, not according to the amount originally available for expenditure.

4. **Relative Importance of Loan Items.**—The relative importance of the different items of loan expenditure given in the foregoing table varies considerably in the several States, but in each instance the expenditure on railways and tramways predominates, the percentage of this item on total expenditure ranging between the limits of 35 per cent. in the case of Tasmania and 68 per cent. in that of Queensland. The following table gives for each State the percentage of each item on the total loan expenditure of that State to 30th June, 1919:—

**PERCENTAGE OF EACH ITEM ON TOTAL LOAN EXPENDITURE OF THE STATES TO 30th JUNE, 1919.**

Heads of Expenditure.	N.S.W.	Vic.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Railways and tramways ..	61.17	63.33	68.38	43.90	47.60	35.23	53.30
Telegraphs and telephones ..	1.19	..	1.71	2.08	..	0.91	0.99
Water supply and sewerage ..	17.55	14.60	5.40	20.48	13.06	..	14.34
Harbours, rivers, etc.	11.48	3.27	5.75	11.35	10.82	31.74	9.53
Roads and bridges	..	..	..	..	..	..	..
Defence ..	0.99	0.17	0.62	0.61	..	0.82	0.61
Public buildings ..	5.40	2.75	3.52	3.25	2.17	7.97	4.07
Immigration ..	0.39	..	4.74	..	1.05	1.50	1.00
Development of mines, etc.	..	0.58	..	0.01	4.62	..	0.57
Advances to settlers ..	0.04	1.00	..	8.00	7.32	0.66	1.93
Land purchases for settlement	0.35	7.38	..	4.15	1.22	3.98	2.54
Loans to local bodies ..	0.00	..	4.94	..	0.17	8.59	1.08
Rabbit-proof fences ..	0.03	..	..	0.55	0.87	..	0.16
Other public works and purposes ..	1.41	6.92	4.94	5.62	11.10	8.60	4.88
Total ..	100.00	100.00	100.00	100.00	100.00	100.00	100.00

5. **Loan Expenditure in Successive Years.**—In the following table are given particulars relative to the loan expenditure of the several States during each of the years 1913-14 to 1918-19:—

**STATE LOAN EXPENDITURE, 1913-14 TO 1918-19.**

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
1913-14..	9,126,844	3,276,994	2,190,150	2,762,686	2,883,169	498,141	20,737,984
1914-15..	6,996,107	5,351,830	2,638,266	2,532,759	2,521,608	785,269	20,825,839
1915-16..	8,173,104	4,473,569	3,061,839	2,097,197	1,584,643	880,394	20,270,746
1916-17..	6,862,179	2,440,966	2,267,962	1,811,531	855,184	476,472	14,714,294
1917-18..	4,487,511	1,931,679	1,828,320	1,586,766	1,054,177	518,929	11,407,382
1918-19..	3,918,887	2,932,521	2,736,412	2,006,166	1,049,736	575,054	13,218,776

Throughout the six years under review the loan expenditure of New South Wales exceeded that of any other of the States, and for many years has represented nearly 40 per cent. of the aggregate of Australia.

6. *Loan Expenditure per Head.*—The loan expenditure per head of population varies materially in the different States and in different years, reaching its highest point for the five years under review in Western Australia in 1913-14 with £7 16s. 2d. per head, and its lowest in Victoria in 1908-9 with 17s. 7d. per head. Particulars concerning the loan expenditure per head for the six years 1913-14 to 1918-19 are given hereunder:—

## STATE LOAN EXPENDITURE PER HEAD, 1913-14 TO 1918-19.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1913-14 ..	4 19 8	2 6 5	3 6 4	6 5 6	8 19 10	2 9 5	4 5 1
1914-15 ..	3 15 1	3 14 10	3 17 3	5 14 8	7 16 2	3 18 0	4 4 4
1915-16 ..	4 7 6	3 3 1	4 10 0	4 15 5	4 19 8	4 7 7	4 2 2
1916-17 ..	3 13 10	1 14 10	3 7 9	4 3 11	2 15 4	2 7 8	3 0 4
1917-18 ..	2 7 9	1 7 5	2 13 1	3 12 9	3 8 2	2 11 1	2 6 3
1918-19 ..	2 0 7	2 0 10	3 18 10	4 10 0	3 7 0	2 15 1	2 12 7

## § 5. Public Debt.

1. *Initiation of Public Borrowing.*—The earliest of the loans raised in Australia for Government purposes was that obtained by New South Wales in 1842. This and nine other loans raised prior to 1855 were all procured locally. In the last-mentioned year Australia's first appearance on the London market occurred, the occasion being the placing of the first instalment of the New South Wales 5 per cent. loan for £683,300. Victoria first appeared as a borrower in 1854, and made its first appearance on the London market in 1859. In the remaining States the first public loans were raised in the following years:—Queensland 1861, South Australia 1854, Western Australia 1845, and Tasmania 1867.

2. *Nature of Securities.*—All the earlier loans raised by the Australian States were obtained by the issue of debentures, some of which were repayable at fixed dates, and others by annual or other periodical drawings. In more recent years, however, the issue of debentures has given place to a great extent to that of inscribed stock, the inscription in the case of local issues being carried out by the State Treasuries, and in the cases of loans floated in London being mainly performed by the Bank of England and the London and Westminster Bank. The issue of debentures has not, however, been entirely discontinued, for within recent years debentures to a large amount have been placed on the market by the Government of New South Wales. In other States also, recent issues of debentures have taken place, the occasions usually being those in which the term of the loan is less than that ordinarily attaching to issues of inscribed stock. Another form of security is that variously known as the Treasury bill or Treasury bond. This is usually merely a short term debenture having a currency in most instances of from three to five years. The bonds are issued in certain cases to liquidate deficiencies in revenue, and in others to obtain moneys for the purpose of carrying on public works at a time when it is deemed inexpedient to place a permanent loan on the market. The amount of the public debt of the several States held in each of these forms of security is furnished in the table hereunder:—

## PUBLIC DEBT OF THE AUSTRALIAN STATES, 30th JUNE, 1919.

State.	Debentures.	Inscribed Stock.	Treasury Bills.		Total Amount Outstanding.
			For Public Works and Services.	In aid of Revenue.	
	£	£	£	£	£
New South Wales ..	14,704,750	120,925,366	11,544,420	..	147,174,536
Victoria ..	26,910,857	50,815,787	2,952,000	1,353,285	82,031,929
Queensland ..	23,515,399	39,632,337	..	1,379,350	(a) 65,581,121
South Australia ..	2,039,000	32,505,856	8,105,350	..	42,650,206
Western Australia ..	1,376,255	34,007,326	5,359,990	2,893,505	43,637,076
Tasmania ..	2,382,631	11,898,650	1,000,000	..	15,281,281
Total ..	70,928,892	289,785,322	28,961,760	5,626,140	(a) 396,356,149

(a) Including loans of £1,054,035 from the Commonwealth Government not represented by securities.

The manner in which the amount of public debt of the Australian States held under these various forms of security has grown during the past six years will be seen from the following table:—

**PUBLIC DEBT OF THE AUSTRALIAN STATES, 1913-14 TO 1918-19.**

Date.	Debentures.	Inscribed Stock.	Treasury Bills.		Total Amount Outstanding.
			For Public Works and Services.	In aid of Revenue.	
	£	£	£	£	£
30th June, 1914 ..	37,160,145	265,734,131	13,572,562	1,131,950	317,598,788
" 1915 ..	47,550,115	269,686,934	23,658,270	2,030,350	342,925,669
" 1916 ..	51,069,616	277,268,688	27,074,647	2,400,820	357,813,771
" 1917 ..	60,364,239	279,252,215	29,782,535	3,118,635	372,517,624
" 1918 ..	63,616,822	296,459,069	28,468,060	3,996,210	392,540,161
" 1919 ..	70,928,892	289,785,322	28,961,760	5,626,140	(a)396,356,149

(a) See footnote (a) to previous table.

During the period between 30th June, 1914, and 30th June, 1919, the public debt of the States increased by £78,757,361, or at the rate of about £15,750,000 per annum.

**3. Increase in Indebtedness of the Several States.**—The table given hereunder furnishes particulars of the increase which has taken place during the past five years in the public debts of the several States:—

**PUBLIC DEBT OF THE AUSTRALIAN STATES, 30th JUNE, 1914 TO 1919.**

Date.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
30th June, 1914 ..	116,695,031	66,130,726	54,523,506	33,564,332	34,420,181	12,265,012	317,598,788
" 1915 ..	127,735,405	73,083,927	56,869,046	35,081,623	37,022,622	13,133,046	342,925,669
" 1916 ..	130,514,018	76,775,032	58,732,843	37,993,289	39,889,676	13,908,913	357,813,771
" 1917 ..	138,138,347	78,125,395	61,303,136	39,364,280	40,914,826	14,671,640	372,517,624
" 1918 ..	152,584,693	79,595,646	62,296,986	40,621,480	42,304,001	15,137,355	392,540,161
" 1919 ..	147,174,536	82,031,929	65,581,121	42,650,206	43,637,076	15,281,281	396,356,149

The State in which the greatest increase in indebtedness was experienced during the period is New South Wales, which added £30,479,505 during the period under review. On the other hand, the public debt of Tasmania increased by about £3,000,000 only. There was an apparent decline in the Public Debt of New South Wales in 1918-19. This was due to the fact that the debt in 1917-18 included stock raised in February, 1918, for the redemption of loans maturing in September, 1918.

**4. Indebtedness per Head.**—The indebtedness per head of population varies considerably in the several States, being highest in the case of Western Australia, and lowest in that of Victoria. Details for the period from 30th June, 1914, to 30th June, 1919, are as follows:—

**PUBLIC DEBT OF AUSTRALIAN STATES PER HEAD, 30th JUNE, 1914 TO 1919.**

Date.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
30th June, 1914 ..	62 17 9	46 10 1	80 6 4	78 12 0	106 5 0	62 6 9	64 10 5
" 1915 ..	68 7 2	51 4 9	82 9 2	80 1 6	114 15 9	66 3 9	69 5 3
" 1916 ..	70 6 0	54 12 1	85 8 8	87 12 7	126 15 2	70 8 6	72 19 7
" 1917 ..	73 18 6	55 14 0	89 19 7	91 11 4	132 12 3	74 7 0	76 1 9
" 1918 ..	79 17 4	56 3 5	89 19 11	92 0 6	135 19 6	74 12 6	78 16 3
" 1919 ..	74 19 4	55 18 3	92 0 0	93 11 2	135 0 2	72 9 4	77 2 1

5. **Flotation of Loans.**—The early loans of the Australian States, usually for comparatively small amounts, were raised locally, but, with the increasing demand for loan funds and the more favourable terms offering in the London than in the local money market, the practice of placing Australian public loans in London came into vogue, and for many years local flotations, except for short terms or small amounts, were comparatively infrequent. In more recent years, however, the accumulating stocks of money in Australia seeking investment have led to the placing of various redemption and other loans locally, with very satisfactory results. In the following table are given particulars of loans of the several States outstanding on 30th June, 1919, which had been floated in London and Australia respectively :—

## PUBLIC DEBT OF AUSTRALIAN STATES, 30th JUNE, 1919.

State.	Floated in London.		Floated in Australia.		Total Public Debt.
	Amount.	Percentage on Total Debt.	Amount.	Percentage on Total Debt.	
	£	%	£	%	£
New South Wales ..	98,989,891	67.26	48,184,645	32.74	147,174,536
Victoria ..	43,400,300	52.91	38,631,629	47.09	82,031,929
Queensland ..	51,855,647	79.07	13,725,474	20.93	65,581,121
South Australia ..	23,034,057	54.01	19,616,149	45.99	42,650,206
Western Australia ..	31,008,858	71.06	12,628,218	28.94	43,637,076
Tasmania ..	9,911,250	64.86	5,370,031	35.14	15,281,281
Total ..	258,200,003	65.14	138,156,146	34.86	396,356,149

The following table, giving corresponding particulars for the aggregate indebtedness of the Australian States at the end of each of the financial years 1913-14 to 1918-19, furnishes an indication of the rapidity with which the local holdings of Australian securities have grown in recent years :—

## PUBLIC DEBT OF AUSTRALIAN STATES, 30th JUNE, 1914 TO 1919.

Date.	Floated in London.		Floated in Australia.		Total Public Debt.
	Amount.	Percentage on Total Debt.	Amount.	Percentage on Total Debt.	
	£	%	£	%	£
30th June, 1914 ..	224,061,456	70.55	93,537,332	29.45	317,598,788
„ 1915 ..	229,212,541	66.84	113,713,128	33.16	342,925,669
„ 1916 ..	232,040,101	64.85	125,773,670	35.15	357,813,771
„ 1917 ..	243,735,172	65.43	128,782,452	34.57	372,517,624
„ 1918 ..	261,107,683	66.52	131,432,478	33.48	392,540,161
„ 1919 ..	258,200,003	65.14	138,156,146	34.86	396,356,149

It will be seen that in the course of five years the London indebtedness of the States has increased by £34,138,547, while the local indebtedness has increased by no less than £44,618,814. In other words, the Australian proportion had on 30th June, 1919, grown to more than one-third, and has remained at about one-third for the last four years.

It will be noticed in the foregoing table that the Australian indebtedness of the States increased during the year 1918-19 to a figure absolutely higher than had ever before been attained. This was due, in the main, to an arrangement with the Commonwealth Government, which was concluded shortly after the outbreak of war. It seemed very probable, at that period, that London would be reluctant to make

advances for other than military purposes, and this would have seriously embarrassed several of the States which were committed to a vigorous public works and developmental policy. The Commonwealth Government met the situation by advancing £18,000,000 to five of the States in the following proportion:—New South Wales, £7,400,000; Victoria, £3,900,000; South Australia, £2,600,000; Western Australia, £3,100,000; and Tasmania, £1,000,000. Victoria contracted her portion of the debt in debentures, whereas the remaining States chose Treasury bills, but otherwise the conditions were the same. The Commonwealth Government paid the money in monthly instalments, and the rate of interest was fixed at  $4\frac{1}{2}$  per cent. The money was taken entirely from the Australian Notes Account, and the whole transaction furnishes another illustration of the increasingly intimate financial relationship between the Commonwealth and State Governments, to which reference was made in the preceding chapter, (page 774). Further advances were made to the States by the Commonwealth in 1916–19 out of the proceeds of loans contracted in London. The loans aggregated £16,750,000, and carried interest partly at  $5\frac{1}{4}$  per cent., and partly at  $5\frac{1}{2}$  per cent. Lastly, advances have been made by the Commonwealth Government to some of the State Governments for the purpose of settling returned soldiers on the land, and for the construction of silos for wheat storage. By agreement between the State Treasurers and the Commonwealth Treasurer, the £18,000,000 already referred to is to be repaid within five years of the termination of the war, but not later than 1925.

6. Rates of Interest.—As mentioned above, the highest rate of interest paid in connection with the earliest Australian public loans was fivepence farthing per £100 per diem, or, approximately, 8 per cent. per annum. At the present time the principal rates of interest payable on Australian public securities are  $5\frac{1}{4}$  per cent.,  $5\frac{1}{2}$  per cent., 5 per cent.,  $4\frac{1}{2}$  per cent.,  $4\frac{3}{4}$  per cent., 4 per cent.,  $3\frac{3}{4}$  per cent.,  $3\frac{1}{2}$  per cent., and 3 per cent. It is most probable, however, that the amount of outstanding debt at the higher rates will increase materially in the future, since conversion can scarcely be effected at present at a lower rate of interest than 5 per cent. The average rate payable on the aggregate indebtedness of the Australian States is about 4 per cent. For the separate States the average rate payable varies considerably, being lowest in the case of Western Australia and highest in that of South Australia; the difference between these two average rates is about  $\frac{2}{3}$  per cent. In the table given hereunder particulars are furnished of the rates of interest payable on the public debt of the several States of the Commonwealth on 30th June, 1919:—

**RATES OF INTEREST PAYABLE ON PUBLIC DEBT OF STATES, 30th JUNE, 1919.**

Rate of Interest.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
%	£	£	£	£	£	£	£
$5\frac{1}{4}$ ..	16,076,000						16,076,000
$5\frac{1}{2}$ ..	6,000,000	1,304,000	4,187,500	5,494,827	3,050,500	887,375	20,924,002
$5\frac{1}{2}$ ..	2,786,600	1,445,544	2,075,000	855,550	1,100,000	200,000	8,462,694
5 ..	6,686,925	(a)4,317,542	325,400	4,551,773	658,480	1,560,009	18,100,129
$4\frac{1}{2}$ ..		(b)6,658,860		500,000			7,158,860
$4\frac{1}{2}$ ..	12,034,379	(c)3,481,975	13,462,650	2,804,815	1,688,820	434,004	(c) 33,907,543
$4\frac{1}{4}$ ..		505,500				146,750	646,250
$4\frac{1}{4}$ ..	7,400,000	3,900,000		2,600,000	3,100,000	1,000,000	18,000,000
4 ..	28,143,541	19,356,965	18,667,450	8,331,864	12,721,786	5,100,217	92,321,823
$3\frac{3}{4}$ ..	13,514,098	230,183	2,550,050	5,374,645	1,650,000	515,822	23,834,798
$3\frac{1}{2}$ ..	37,480,121	30,682,992	18,569,653	6,209,650	12,317,490	4,963,418	110,222,724
3 ..	17,047,072	10,147,368	5,489,383	5,927,282	7,350,000	(e) 478,786	46,439,891
Overdue, not bearing interest ..	5,800	1,000	600	..	..	..	7,400
Total ..	147,174,536	82,031,929	(d)65,581,121	42,650,206	43,637,076	15,281,231	(d) 306,356,149
Average rate	£4/2/0	£3/17/6	£3/19/10	£4/2/7	£3/17/1	£4/0/7	£4/0/3

(a) Including £20,000 at  $4\frac{1}{2}$  per cent. (b) Including £20,000 at  $4\frac{3}{4}$  per cent. (c) Including £350,000 at  $4\frac{1}{2}$  per cent. (d) Including £254,035 for which rate of interest has not been fixed. (e) Including £24,718 at  $3\frac{1}{2}$  per cent.

The rapid increase which has taken place in recent years in the amount of Australian Government securities, bearing interest at the higher rates, is clearly shown in the table hereunder, which gives particulars concerning the aggregate amount of the Australian indebtedness, at the several rates of interest, on 30th June in each of the years 1915 to 1919:—

RATES OF INTEREST PAYABLE ON PUBLIC DEBT OF STATES, 30th JUNE, 1914 TO 1919.

Rate of Interest.	30th June, 1914.	30th June, 1915.	30th June, 1916.	30th June, 1917.	30th June, 1918.	30th June, 1919.
%	£	£	£	£	£	£
6 ..	74,900	49,900	39,900	19,900	1,900	18,076,000
5½ ..	..	..	..	..	13,076,000	20,924,002
5 ..	..	..	..	5,590,000	10,180,000	8,462,694
5½ ..	..	..	2,950,000	6,695,400	6,695,400	18,100,129
5 ..	142,700	2,146,800	7,010,675	14,753,617	17,582,034	7,158,860
4½ ..	..	..	..	..	..	33,557,543
4 ..	39,300	25,279,647	28,155,096	32,845,044	38,146,932	350,000
4½ ..	..	300,000	600,000	..	..	646,250
4 ..	..	290,750	771,250	901,000	801,000	18,000,000
4½ ..	..	10,625,000	18,000,000	18,000,000	18,000,000	92,321,823
4 ..	111,771,586	100,551,888	97,965,741	95,382,445	93,220,106	23,834,798
3½ ..	27,679,770	26,372,084	25,989,072	24,714,487	24,376,838	110,222,724
3 ..	131,292,054	130,392,839	129,732,699	127,146,373	124,075,299	(a) 46,376,402 (a) 46,439,891
3 ..	46,592,430	(a) 46,567,286	(a) 46,591,188	(a) 46,450,341	(a) 46,376,402	(a) 46,439,891
Not bearing interest ..	6,048	349,475	8,150	19,017	8,250	7,400
Total public debt ..	317,598,788	342,925,669	357,813,771	372,517,624	392,540,181	(b) 396,356,149
Average rate per cent. payable ..	£3/12/6	£3/13/11	£3/15/1	£3/16/6	£3/18/6	£4/0/3

(a) Including £24,718 at 3½ per cent. (b) Including £254,035 for which rate of interest has not been fixed.

The feature of this table is the rapid rise in the average rate of interest. The process started in 1912, but was accelerated by the war, which has virtually made 5½ per cent. the present minimum rate of interest for gilt-edged securities. The average rate is likely to rise for some considerable time, since securities falling due in the immediate future will, in all likelihood, have to be renewed at a higher rate of interest.

7. Interest per Head.—The relative burden of the debts of the several States in respect of interest payments will be seen from the following table, which gives for the 30th June, 1919, the amount of interest paid during the financial year ending at that date, and also the corresponding amount per head of population:—

STATE DEBTS.—INTEREST PAID DURING 1918-19.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Total annual interest paid ..	5,462,091	3,056,317	(a) 2,557,637	1,733,801	1,658,951	509,087	15,068,834
Annual interest paid per head ..	£2/16/7	£2/2/0	£3/13/8	£3/17/10	£5/5/10	£2/17/4	£2/19/11

(a) Inclusive of flotation expenses.

8. Dates of Maturity.—An important point of difference between the securities of the Australian Governments, whether in the form of inscribed stock, debentures, or Treasury bills, and such a well-known form of security as British Consols, is that whereas the latter are interminable, the Australian Government securities have in almost all cases a fixed date for repayment, there being only a few exceptions, which are included in the following table under the headings "interminable" and "indefinite." The "indefinite" includes amounts which are payable by the respective Governments after giving a specified notice, and also certain amounts owing to the Commonwealth Government. The terms of the loans raised by the issue of debentures and inscribed stock have varied considerably

in the different States, ranging between fifteen and fifty years, while loans obtained by means of Treasury bills have usually been for such short terms as from six months to five years. In the case of the majority of the loans the arrival of the date of maturity means that arrangements for renewal are necessary in respect of the greater portion of the loan, as it is only in exceptional cases that due provision for redemption has been made. The condition of the money market at the date of maturity has an important bearing on the success or otherwise with which the renewal arrangements can be effected, and consequently, in order to obviate the necessity for making an application to the market at an unfavourable time, several of the States have now adopted the practice of specifying a period of from ten to twenty years prior to the date of maturity within which the Government, on giving twelve, or in some cases six months' notice, has the option of redeeming the loan. By such means advantage may be taken by the Government during the period of opportunities that may offer for favourable renewals. Particulars concerning the due dates of the loans of the several States outstanding on 30th June, 1919, are given in the following table.

Those loans in the case of which the Government has the option of redemption during a specified period have been in each instance classified according to the latest date of maturity:—

**DUE DATES OF THE PUBLIC DEBTS OF THE SEVERAL STATES OUTSTANDING ON 30th JUNE, 1919.**

Due Dates.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
Overdue ..	7,405,800	1,000	600				7,407,400
1919 ..	11,543,895	4,268,960		952,809	262,070	215,188	17,242,922
1920 ..	5,733,120	8,468,696		1,537,959		996,930	16,736,705
1921 ..	5,725,843	8,416,495		2,101,904	116,710	784,622	17,145,574
1922 ..	7,149,400	8,041,890	2,828,750	2,640,104	1,701,005	536,384	22,897,533
1923 ..	8,090,482	9,977,198		3,055,246	1,393,470	170,767	22,687,163
1924 ..	16,758,065	592,390	13,140,634	1,758,172		763,570	33,165,641
1925 ..	311,799	6,679,740	12,007,200	473,607		1,173,251	20,645,597
1926 ..	415,000	5,115,000	338,600	2,143,004	1,922,305	269,948	10,203,857
1927 ..	15,180,784	2,006,450	4,352,050	1,976,801	5,550,500	1,113,051	30,179,636
1928 ..	36,000	962,525	445,400	846,308		231,304	2,521,537
1929 ..	4,000	794,811	1,000	221,618		378,595	1,400,024
1930 ..		1,814,650	3,704,800	302,425		19,292	5,841,167
1931 ..		1,061,648		450		19,292	1,081,390
1932 ..	13,076,000	929,550		1,225	1,380,540	19,292	15,406,607
1933 ..	9,656,300			368,912	716,708	19,292	10,791,212
1934 ..				1,043,421	1,866,318	21,316	2,931,055
1935 ..	15,500,000			1,478,499	8,358,185	162,796	25,499,480
1936 ..		300,000		4,250,380	1,240,000	22,908	5,813,288
1937 ..				15,586		34,912	50,498
1938 ..				92,383	141,250	24,735	258,368
1939 ..				2,569,499	36,545	35,891	2,641,935
1940 ..		248,900		14,860		5,633,209	5,896,969
1941 ..		324,380	462,300			30,592	817,272
1942 ..		485,100	15,000			30,592	520,692
1943 ..		3,600				30,592	34,192
1944 ..		400				30,592	30,992
1945 ..			7,516,050			30,592	7,546,642
1946 ..		217,400				30,592	247,992
1947 ..			4,498,693		2,000,000	30,592	6,529,285
1948 ..						30,592	30,592
1949 ..		11,699,471				30,590	11,730,061
1950 ..	12,250,000		6,946,600			2,829,407	22,026,007
1951 ..			999,600			31,079	1,030,679
1952 ..						31,079	31,079
1953 ..			2,147,809			19,651	2,167,460
1954 ..		123,874				19,651	143,525
1955 ..					4,437,000	19,651	4,456,651
1956 ..						19,652	19,652
1960 ..		2,979,700	2,000,000	3,000,000	1,000,000		8,979,700
1962 ..	10,500,000				6,000,000		16,500,000
1964 ..					1,566,000		1,566,000
1965 ..			1,122,000				1,122,000
1970 ..			2,000,000				2,000,000
Interminable ..	532,890						532,890
Annual drawings ..					84,900		84,900
Indefinite ..	7,275,158	6,518,101	1,054,035	11,805,034	3,100,000		29,752,328
Total ..	147,174,536	82,031,929	65,581,121	42,650,206	43,637,076	15,281,281	396,356,149

9. Sinking Funds.—The practice of providing for the ultimate extinction of the public debt by means of the creation of sinking funds, receiving definite annual contributions from Consolidated Revenue, and accumulating at compound interest, has only been consistently adopted in the case of Western Australia. This State has established, in connection with each of its loans, sinking funds varying from 1 per cent. to 3 per cent. per annum of the nominal amount of the loan. These funds are placed in the hands of trustees in London, by whom they are invested in the securities of the British, Indian, and Colonial Governments, and applied from time to time to the redemption of loans falling due. In the remaining States the sinking fund provision made is varied, consisting in certain instances of the revenues from specified sources, in others of the Consolidated Revenue Fund surplus, and in others again of fixed annual amounts. In the following table are given particulars of the sinking funds of each State, and the net indebtedness of each after allowance for sinking fund has been made, the details given being those for 30th June, 1919 :—

## STATE SINKING FUNDS AND NET INDEBTEDNESS, 30th JUNE, 1919.

State.	Gross Indebtedness.	Sinking Fund.	Net Indebtedness.	Net Indebtedness per Head.
	£	£	£	£ s. d.
New South Wales ..	147,174,536	388,259	146,786,277	74 15 3
Victoria ..	82,031,929	2,600,778	79,431,151	54 2 9
Queensland ..	65,581,121	385,540	65,195,581	91 9 2
South Australia ..	42,650,206	1,509,930	41,140,276	90 4 7
Western Australia ..	43,637,076	6,139,008	37,498,068	116 0 10
Tasmania ..	15,281,281	646,197	14,635,084	69 8 0
Total ..	396,356,149	11,669,712	384,686,437	74 16 8

With the object of setting out the entire liability of the Australian public, the Commonwealth and State debts have been brought together into one statement, in the appended table. It will be noticed that there is a column headed "deduction for debts counted twice." This includes transferred properties for every year, and, for the last three years, loans raised in London by the Commonwealth on behalf of the States.

## PUBLIC DEBT OF AUSTRALIA FOR SIX YEARS, 1913-14 TO 1918-19.

Year ended 30th June.	Public Debt of Commonwealth	Public Debt of States.	Total of two preceding Columns.	Deduction for Debts Counted Twice.	Balance being Public Debt of Australia.	Public Debt per Capita.
	£	£	£	£	£	£
1914..	19,182,333	317,598,788	336,781,121	9,787,011	326,994,110	66 8 9
1915..	37,428,830	342,925,669	380,354,499	10,777,161	369,577,338	74 12 11
1916..	101,344,285	357,813,771	459,158,056	10,781,797	448,376,259	91 9 0
1917..	169,229,557	372,517,624	541,747,181	18,289,739	523,457,442	106 18 4
1918..	284,055,069	392,540,161	676,595,230	23,202,515	653,392,715	131 3 10
1919..	325,770,747	396,356,149	722,126,896	27,952,619	694,174,277	135 0 10

On pages 777 to 780 will be found a series of graphs illustrating the rise in the revenue, public debt, and taxation of the Commonwealth and States since 1902, the year 1901-2 being the first complete financial year since Federation.