

THE
FEDERAL FINANCIAL
PROBLEM

AND ITS SOLUTION



BY

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Tasmania:

JOHN VAIL, GOVERNMENT PRINTER, HOBART.

1900.

THE FEDERAL FINANCIAL PROBLEM AND ITS SOLUTION.

On three previous occasions I have contributed some observations to the discussion of the Financial Problem attending the federation of the Australian Colonies, and on each of those occasions I have advocated the transfer of the largest possible proportionate part of the public debt of each Colony to the Federal Government as the speediest and most effectual method of avoiding the fiscal difficulties which seem to threaten several of the Colonies as a consequence of their entrance into the Commonwealth. But I find that the proposal which I have made for the solution of the Federal Financial Problem has been confused with the provision contained in Section 105 of the Constitution of the Commonwealth, and I desire, on this occasion, to endeavour to make perfectly clear the nature of my proposal, and to set forth the grounds upon which I believe it can be properly and justly advocated in the Federal Parliament. The provision relating to the debts of the States which is contained in Section 105 of the Constitution is that the Federal Parliament may take over from the States their public debts as existing at the establishment of the Commonwealth, or a proportion thereof, according to population, and may convert, renew, or consolidate such debts; but the States shall indemnify the Commonwealth in respect of the debts taken over, and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States out of their own revenues. This provision does not contemplate any removal or reduction of the liability of the several States to provide the moneys to pay the interest upon their debts as a compensation to them for the perpetual surrender of their power to raise revenue by duties of Customs and Excise. But the provisions of Section 87 of the Constitution, which directs that for a period of ten years after the establishment of the Commonwealth, and thereafter until the Parliament shall otherwise

provide, only one-fourth of the net revenue collected by the Commonwealth from duties of Customs and Excise shall be appropriated by the Commonwealth for its own purposes, and that the balance shall be paid to the several States, or applied towards the payment of the interest on debts of the several States taken over by the Commonwealth, demonstrates very clearly that the Convention which framed the Constitution came to the conclusion that the several States would require, for an indefinite period, some financial assistance, in consequence of their loss of the revenues previously derived by them from Customs and Excise duties. It was impossible that any other conclusion could be reached by any assembly of persons acquainted with the financial history of the Australian Colonies; and the insufficiency of the provisions of the Constitution which are intended to provide for the inevitable financial exigencies of a majority of the States under Federation becomes more apparent the more closely the financial history of the several Colonies is examined.

My proposal for the solution of the Financial Problem of Federation is that the Commonwealth shall take over the largest possible proportionate amount of the public debt of each State, measured by population, and shall discharge each State from all liability to provide in any manner for the payment of the interest on such transferred portion of its debt, or for the redemption of it at any future time. In other words, I propose that the proportionate part of the debt of each State which shall be taken over by the Commonwealth shall cease to be a part of the debt of the State, and shall become a part of the debt of the Commonwealth as fully and as exclusively as if it had been incurred by the Commonwealth for its own purposes, and that the interest upon it shall not be charged against the revenue collected by the Commonwealth in the State by which the debt was originally incurred, but shall be paid out of the total annual revenue of the Commonwealth, irrespective of the sources of any portion of that revenue or the place of its collection.

I shall not enter into any discussion upon the question of the compulsory character of Section 105 of the Constitution, and of the consequent question of the inability of the Federal Parliament to ignore it, and to legislate in regard to the debts of the States in accordance with my proposal. A discussion of these questions would require a disquisition totally different in character and scope from the argument I intend to make on this occasion, and it would necessarily be appreciable only by those persons who were acquainted with the legal principles and

rules by which written laws are construed by the courts. I may say that I believe that the Federal Parliament has the power to take over the debts in the manner proposed by me, and I shall now proceed to set forth the grounds upon which I believe that the proposal which I have made can be supported as a proper, safe, and equitable solution of the Federal Financial Problem.

1. The latest available statistics of the six Colonies which are to become immediately States of the Commonwealth exhibit the total amount of their several debts at £195,208,347, and the total amount of interest annually payable thereon at £7,312,478. The total amount of revenue annually collected by the same six Colonies at the present time from duties of Customs and Excise is £7,643,627. It therefore appears that, after deducting the cost of its collection, the total amount of the revenue derived by the six Colonies from Customs and Excise duties is substantially the equivalent of the total amount paid by the same six Colonies in interest upon their debts. The close equivalence of these two amounts is not an accidental or a temporary result of any exceptional facts connected with the financial policies or operations of the Colonies at the present time, or in their immediately past history. An analysis of the statistics of the same six Colonies during the last thirty or forty years will reveal the fact that, with temporary and local fluctuations, the sums derived by the six Colonies collectively from duties of Customs and Excise have closely approximated to the sums they have paid in interest upon their debts throughout the same period. This fact leads inevitably to the conclusion that there has been an historical and economical association of a very intimate character between the debts and the tariffs of the several Colonies; and it is a fact, beyond all doubt, that it has been the spontaneous increase in the revenues derived by the Colonies from duties of Customs and Excise, consequent upon the natural increase of their populations and immigrational accessions, which has enabled the separate Colonies to borrow from time to time the large sums of money which they have expended in the construction of their roads and railways and other public works. The expenditure of these borrowed moneys has, in its turn, produced an increase of population, by inducing immigration, and hence the tariffs and the debts of the several Colonies have been, to a very large extent, the mutual causes and results of one another.

If we examine the latest fiscal and financial statistics of the six Colonies respectively, we shall find that in four of them, viz., Victoria, Queensland, Tasmania, and Western Australia, the revenue derived from Customs and Excise duties is in excess of

the sum paid for interest on the public debt, but that, after deducting the cost of collecting such revenue, the two sums approximate very closely in each of those Colonies, excepting Western Australia, in which the revenue derived from Customs and Excise duties is more than double the sum paid in interest upon the public debt of the Colony. The figures for these four Colonies are as follow :—

	Interest on the Public Debt.	Revenue from Duties of Customs and Excise.
	£	£
Victoria	1,852,701	2,267,140
Queensland	1,339,149	1,610,113
Tasmania*	316,417	448,120
W. Australia	374,618	933,717

* The revenue collected in Tasmania from duties of Customs and Excise during the last two or three years is largely in excess of the annual payment of interest upon her debt, but there is large surplus revenue from that source at the present time.

In New South Wales and in South Australia the revenue derived from duties of Customs and Excise is less than the sum paid for interest upon the public debt. The figures for these two Colonies are as follow :—

	Interest on the Public Debt.	Revenue from Duties of Customs and Excise.
	£	£
New South Wales	2,463,771	1,735,621
South Australia	965,822	648,916

In the cases of the two last-mentioned Colonies the revenue derived from Customs and Excise duties is not sufficient to pay the interest on the public debt. The deficiency is, therefore, necessarily supplied by revenue obtained from other sources. But the public debts of these two Colonies are not, conjointly, less per head of the population of the two Colonies than the average amount of the debt of all the Colonies per head of their populations. The average amount of the public debts of the six Colonies, measured by population, is £52 2s. 0d. per head. The public debt of New South Wales is below the average, being only £48 per head ; but it is in excess of the public debt of Victoria, which is only £42 4s. 6d. per head ; and the public debt of South Australia is the largest of all the public debts of the six Colonies, being £70 14s. per head of the population.

From the W.I.C.

The amount of the public debt per head of the population in each of the six Colonies is as follows:—

	£	s.	d.
New South Wales	48	0	0
Victoria	42	4	6
Queensland	70	7	9
South Australia	70	14	0
Western Australia	65	10	5
Tasmania	46	0	0

The Colony of New South Wales derives only 17·40 per cent. of its total revenue from duties of Customs and Excise, and South Australia derives from the same source 23·33 per cent. of its total revenue; but the proportion of revenue derived by the other four Colonies from duties of Customs and Excise exceeds, in the case of each of them, 30 per cent. of the total revenue of the Colony. The figures for all the six Colonies are as follow:—

	Percent.
New South Wales	17·40
Victoria	30·43
Queensland	35·00
South Australia	23·33
Western Australia	32·47
Tasmania	47·47

These figures disclose the fact that the six Colonies derive from duties of Customs and Excise 26·64 per cent. of the total amount of their combined revenues, and that the four Colonies of Victoria, Queensland, Western Australia, and Tasmania obtain from the same sources 36·37 per cent. of the total amount of their combined revenues; and it has been previously observed that, in the three Colonies of Victoria, Queensland, and Tasmania, nearly the whole of the revenue derived from duties of Customs and Excise, after deducting the cost of collection, is absorbed in the payment of the interest on the public debt. But the power to collect that 36·37 per cent. of the total amount of their combined revenues from Customs and Excise duties will pass away from these three Colonies upon the establishment of the Commonwealth, as will also pass away the present power of the other three Colonies to collect any portion of their revenue from the same sources; and the provisions of the Constitution which require the Federal Parliament to raise from Customs and Excise duties a quadruple of the amount of revenue which it will have the power to appropriate to its own expenditure, and to distribute the surplus among the States, prove conclusively that the Convention recognised the serious fact that some compensation or assistance from the Commonwealth was imperative for those Colonies which have

hitherto derived so large a portion of their total revenue from a source which Federation would take away from them. The total revenue hitherto collected annually by all the Australian Colonies from duties of Customs and Excise, as measured by population, has been more than double the sum collected from Customs duties by any of the great nations of the world, and this significant fact indicates irresistibly that the revenue from that source occupies an unique position in the fiscal systems of all the Colonies, and that the total transfer of it to the Commonwealth necessitates a compensatory transaction on the part of the Commonwealth which shall be equally permanent in its character, and which shall have results commensurate with the effects of the transfer upon the financial conditions of the States.

The average sum collected at the present time from duties of Customs and Excise per head of the populations of the six Colonies which are entering into the Commonwealth is £2 1s.; and the following table shows the sum collected in each Colony per head of its population:—

	£	s.	d.
New South Wales	1	5	7
Victoria	1	19	0
Queensland	3	6	9
South Australia	1	14	9
Western Australia	5	9	2
Tasmania	2	9	10

If, by any mutual arrangement, or by the operation of coincident causes in each of them, the several Colonies had regularly borrowed the same sums per head of their populations, and if each of them had continuously raised the same sum per head of its population from duties of Customs and Excise under substantially similar tariffs, and the result in revenue in each Colony had been a sum equal to the interest upon its public debt, it seems impossible to believe that the Convention would not have provided for a transfer of the public debts of the States to the Commonwealth simultaneously with the transfer of all the revenue collected from duties of Customs and Excise. In that case, the simultaneous transfer of the public debts of the several States and the revenue derived in each State from Customs and Excise duties could have been effected without the slightest disturbance to the finances of any one of the States, and the inseparable association between the transferred revenues and the debts transferred with them, and the facility with which the simultaneous transfer of them could be effected, would have been so protrusive to common observation that any argument in favour of the proposal would not have been required.

From the W.L. Crockett

But if duties of Customs and Excise are hereafter to be collected under the same tariff in all the States, why should not an equal amount of the debt of each State, measured by population, be taken over by the Commonwealth? All the objections which have been made, to my knowledge, to the proposal, have been based upon the supposition that under a uniform tariff a larger sum per head of the population will be collected from Customs and Excise duties in some of the Colonies than the sum collected from the same sources in the other Colonies, and that if the public debts of the States are transferred to the Commonwealth, and the interest upon them is paid by the Commonwealth, without any indemnity from the States, then a portion of the revenue collected by the Commonwealth from Customs and Excise duties in one State will be used to assist in the payment of the interest on the transferred debt of another State. But objections based upon this supposition are arguable only if the consumers, in each State, of articles subject to Customs and Excise duties collected by the Commonwealth, are to be regarded as paying such duties on behalf of the State, or under circumstances in which the State can claim a distinct interest against the Commonwealth in the appropriation of them. There is not any such distinct interest reserved to any State by the Constitution, excepting the provision made for the distribution of surplus Federal revenue during the first five years after the imposition of uniform duties of Customs. That provision is expressly temporary in its purpose and duration, and any conception of the position of the consumers of articles subject to duty under a uniform tariff in the separate States which regards them as paying such duties in perpetuity on behalf of the State is contradictory of the fundamental purpose of the Constitution of the Commonwealth and of the fundamental principles of the form of federal government established by it. The fundamental purpose of the establishment and continued existence of the Commonwealth is the union of the inhabitants of the several States into one people in the application of their energies to all those industrial and commercial enterprises from which revenue by means of Customs and Excise duties is derived. Almost every power conferred upon the Federal Parliament by the Constitution of the Commonwealth has been conferred to effectuate this purpose, and any discrimination between the States by the Federal Parliament in their fiscal relations with the Commonwealth will be a restriction of the commercial and fiscal unity of the inhabitants of the States, and will introduce into Federal politics a conflict of sectional interests in regard to the Federal tariff which will not have any

natural origin in climatic, or geographical, or industrial differences, but which will arise out of a purely artificial attempt to perpetuate within the Commonwealth territorial divisions in relation to matters in respect of which the Constitution was designed to abolish all such divisions.

In the imposition of taxation, the Commonwealth will not discriminate between the residents of different States; and it will not discriminate between the States upon the basis of the amount of revenue collected in each of them in the matter of its annual expenditure upon the Departments transferred to its exclusive control, or upon any matters over which the Federal Parliament shall assume control in the future. There was not any imperative and inevitable obligation upon the Convention to frame a Constitution which should transfer to the Commonwealth the control of every Department and every subject which the Constitution has placed under the legislative power of the Federal Parliament, and not over any additional or any less number of subjects; and the surplus Federal revenue which will be distributed among the States will be used by them to assist in the maintenance of some institutions which the Convention might have transferred to the Commonwealth. On the other hand, the Commonwealth will maintain some institutions which the Convention might have left under the control of the States. In the one case, the Commonwealth will wholly maintain institutions without any discrimination between the States and without regard to the amount of revenue collected by the Commonwealth in each of them. In the other case, the Commonwealth will assist in the maintenance of institutions in the several States proportionately to the amount of revenue collected by the Commonwealth in each State. But in both cases the revenue disbursed by the Commonwealth will be derived from the same sources, and will be paid by the same taxpayers, under the compulsion of the same laws. Can the contrary systems of appropriating different portions of such a revenue be justified?

After the establishment of the Commonwealth, the Postal, Telegraphic and Telephonic Department of all the States will be transferred to the Commonwealth, and the Constitution provides that the Commonwealth shall at the date of the transfer assume the current obligations of the States in respect of all Departments transferred to it. The collection and control of duties of Customs and Excise pass to the Executive Government of the Commonwealth immediately after the establishment of the Commonwealth, and the military and naval forces of all the States will pass under the control of the Executive Government

of the Commonwealth as soon as a Federal Defence Department can be organised. In the cases of all these departments, viz., Customs, Postal, Telegraphic, Telephonic, and Defence, large debts have been incurred by the several States to provide land, buildings, and appliances, and these debts will be assumed by the Commonwealth, and the interest upon them will be thereafter paid by the Commonwealth out of its own revenues without any indemnity from the States. But the revenues from such of these Departments as yield revenue will vary greatly in the different States in comparison with the cost of the maintenance of the Departments and in comparison with the interest payable upon the debts incurred in establishing and equipping them. In the matter of providing postal and telegraphic communication, the expenditure in a large and thinly populated State will necessarily be greater per head of the population than the similar expenditure in a smaller and more thickly populated State; and it may be that in a State in which less duties of Customs shall be collected per head of its population than the revenue collected from the same source in another State, a much larger contribution per head of its population shall be made through the Postal and Telegraphic Departments towards the cost of their maintenance than that which is made in the other State in which a larger revenue per head of its population is derived from duties of Customs. In some instances, the revenue collected by a transferred Department in a particular State may yield a surplus above the cost of its maintenance which will be available as a contribution towards the interest payable upon a debt taken over by the Commonwealth, but which was originally incurred by the State to establish or equip the Department. If these divergences in the proportions of the contributions made by some of the Departments of the Commonwealth in different States towards the cost of their maintenance and towards the interest payable upon debts originally incurred by the States to establish or equip them, and afterwards assumed by the Commonwealth upon their transfer to it, are to be rightly disregarded as not cognisable by the Commonwealth against the States; upon what grounds can a cognisance of differences in the proportions of revenue collected by other departments be justified against the States in relation to the payment of interest upon debts originally incurred by the States, and afterwards assumed by the Commonwealth proportionately to population? If the discrimination can be justified in the one case, it ought to be justifiable in the other. But if the Commonwealth, as distinguished from the States, is to be a political unit within which territorial divisions shall exist only for electoral and

strictly administrative purposes, such discrimination between the inhabitants of different States is a perpetual contradiction of its political unity and of the name it carries.

The Federal Parliament has the power, with the consent of the States, to purchase the railways of any State, and, with the like consent, to construct new railways in any State. But it is well known that the railways of different States, and different railways in the same State, yield disproportionate contributions to the cost of working them, and to the interest payable upon the debts incurred for their construction. If the Commonwealth purchased the railways of all the States the transaction would be substantially the same as if the Commonwealth accepted a transfer of them, together with the debts incurred for their construction, and it would thereafter pay the interest upon the purchase cost of them out of its own revenues, without distinction as to the contributions of the different railways towards such interest, and without any indemnity from the States in regard to the matter.

In the matter of Defence, the Commonwealth might find it necessary to expend in a single State a sum which would entail an annual payment of interest much larger in proportion to the revenue collected in the same State from all sources than the interest payable upon the cost of works of Defence in any other State. Such an expenditure would be properly made for the benefit of the whole Commonwealth, and if the assumption of a proportionate part of the debts of the several States by the Commonwealth will be conducive to the general welfare and prosperity of the whole Commonwealth, any objection based upon the varying proportions in which the revenue of the Commonwealth is collected in the several States is as untenable and as contradictory of the political unity of the Commonwealth as a like objection would be to any local expenditure for Defence or Postal Communication which did not correspond with the revenue collected in the State in which the expenditure took place. The general welfare and prosperity of the whole Commonwealth must be affected by the prosperity or the financial distress of each of the States, and if the transfer of an equitable proportionate part of the debt of each State to the Commonwealth will relieve any two or three States from any pending financial embarrassment the immediate benefit to them will produce an ultimate benefit to the Commonwealth. If financial embarrassment comes to any State after it has entered into the Commonwealth, in consequence of the surrender of its power to raise revenue by duties of Customs and Excise, the establishment of the Commonwealth will be

the cause of the embarrassment, and the power and the resources of the Commonwealth ought to provide the remedy; and the compensation to the State ought to be commensurate in character with the sacrifice of revenue which it has been compelled to make. The sacrifice of its revenue from duties of Customs and Excise will be perpetual, and the compensation ought to be made in a form that will produce an equally permanent result. A distribution of surplus Federal Revenue among the States will be only a fluctuating palliative of the annually recurring effects of a continuous cause; but the assumption of a commensurate portion of the debt of each State by the Commonwealth will be the permanent removal of the cause, and a permanent contribution to the peace, prosperity, and good government of the Commonwealth.

2. The assumption of the public debts of the States by the Commonwealth is also justifiable on the ground that, under Federation, the larger share of the fiscal benefits and possibilities proceeding from the expenditure of the moneys which the States have borrowed and invested in public works will be at the disposal of the Commonwealth. The moneys which have been expended by the States in the construction of roads, railways, and other similar works have enabled the territories of the States to support much larger populations than such as they could have supported without such expenditure, and every adult inhabitant of a State will be a taxpayer of the Commonwealth. When the States incurred their debts they depended upon the future growth of their populations to provide the interest upon the debts, and I have already drawn attention to the significant fact of the concurrent growth of the debts of the States and the increase in the revenues collected by the States from Customs and Excise duties in consequence of the increase in their populations. But that source of revenue has been surrendered by the States to the Commonwealth in perpetuity; and in addition to that source of revenue the Commonwealth possesses an unlimited power of imposing taxation in any other form that it may choose to adopt. The States are peremptorily prohibited from raising revenue by duties of Customs and Excise, and therefore, as between the States and the Commonwealth, Federation has conferred upon the Commonwealth a control of the revenue-producing capacities of the States largely in excess of that retained by the States. But the revenue-producing capacities of the States have been enlarged to their present extent by the expenditure of moneys borrowed by the States, and the responsibilities attached to that expenditure ought to follow the preponderance of the fiscal

benefits to be derived from it. Under complete unification the Commonwealth would necessarily have assumed all the debts of the States, and under Federation the Commonwealth will have all the taxing power over all the inhabitants of the States and all the control of the revenue-producing capacities and fiscal possibilities of the States which complete unification would have conferred upon it. Under complete unification the argument against the assumption of the debts of the States by the Commonwealth which is based upon possible variations in the amounts of revenue collected in each State per head of its population would involve a demand for discrimination in the taxation of the inhabitants of the different States. But the Commonwealth is positively prohibited by the Constitution from discriminating between States or parts of States in the imposition of taxation (Sec. 51, Sub-sec. ii.), and if the mode of distributing surplus federal revenue among the States which the Constitution authorises to be adopted during the first five years after the imposition of uniform duties is continued after the expiration of that period, the High Court may be required to decide whether its continuation will not be contrary to the prohibition against discrimination between the States in matters of taxation.

3. The final ground upon which I urge the assumption of the public debts of the States by the Commonwealth is that the financial dependence of the States upon a contribution from the Federal Treasury is contrary to the fundamental character of the type of federal government which the Constitution purports to establish, and, if it becomes permanent, it will subjugate the whole financial policy of the Commonwealth to a consideration of its results upon the separate treasuries of the several States. But the assumption of the public debts of the States by the Commonwealth in the manner which I have proposed will put an end to all compensatory distributions of surplus federal revenue among the States, and therefore will put an end also to any consequent keeping of accounts between the Commonwealth and the States. The fundamental feature of the type of federal government exhibited by the Constitution of the Commonwealth is the perfect independence of the States and the Commonwealth *inter se* in the exercise of the governmental powers respectively assigned or reserved to them. To secure this result in its entirety, the financial independence of the States and of the Commonwealth *inter se* is indispensable. If a relationship of financial dependence on the part of the States is maintained between them and the Commonwealth, the financial policy of every State will be inevitably

controlled by the financial policy of the Commonwealth, and questions of Federal politics will become intermingled with the local politics of every State to an extent which will make every political conflict in each State a reflection and repetition of a contemporaneous conflict in the sphere of federal politics. But this departure from the true ideal of federal government will not be confined to the subordination of the political life of the separate States to the politics of the Commonwealth. It will extend to the political life of the Commonwealth; and the intermingling of local and national questions will frequently cause the local questions to have a determining influence in the elections of members of the Federal Parliament; and thus produce a counter dependence of the politics of the Commonwealth upon the politics of the States. The inevitable result will be a lower level of statesmanship in the Parliament of the Commonwealth than that which the national life of Federated Australia ought to evolve, and the predominance of provincialism in an arena into which it ought never to enter. If these observations are well founded, it is evident that the emancipation of the States from financial dependence on the Commonwealth means also the emancipation of the Commonwealth from the entanglements and drag-weights of the local politics of the States, and a free course for the Federal Parliament in the pursuit of the national welfare, and in the expression and manifestation of the national life and aspirations of the Australian people. This emancipation of the Commonwealth from influences that threaten to degrade its statesmanship and its legislation would be cheaply purchased by its assumption of the public debts of the States, and every debt taken over by the Commonwealth for that object would be a debt incurred to enable it to fulfil more perfectly the highest purposes of its existence, and, therefore, in the truest sense of the words, would be a debt incurred for the benefit of all the States.

A. INGLIS CLARK.

Judges' Chambers, Hobart,
11th December, 1900.

NOTE.—Under the proposal set forth in the foregoing pages, the whole of the public debt of the Colony of Victoria would be taken over by the Commonwealth, it being the lowest of all the public debts of the Australian Colonies, as measured by population, viz., £42 4s. 6d. per head. That Colony would, therefore, be relieved of the whole of the interest payable on its debt, viz., £1,852,701, and would at the same time surrender to the Commonwealth £2,267,140 collected from Customs and Excise duties, and would be relieved of the cost of collecting that revenue, with the result that her finances would not suffer any appreciable disturbance by the advent of Federation. A similar sum, viz., £42 4s. 6d. per head of the population,

would be taken over by the Commonwealth from the public debt of each of the other Colonies, which, in the case of Tasmania, would amount to £7,706,000, and the Colony would be relieved of an annual payment of £290,447 for interest. The revenue from duties of Customs and Excise which will be surrendered by Tasmania amounts at the present time to £448,120; but it is well known that the Colony is collecting a large surplus from those duties at the present time, and, in the absence of Federation, the tariff would undoubtedly be reduced to yield, probably, £100,000 less than the sum now obtained from it. Therefore, the amount of revenue surrendered by Tasmania in the immediate future may be fairly assessed at not more than £350,000, and, against this, she would be relieved of the cost of collecting it, and be relieved of an annual payment of £290,447 of interest upon debt. The cost of collecting her revenue from duties of Customs and Excise is, in round figures, £10,000 per annum, and the result of the transfer of a proportionate part of her debt, as proposed, would be that the deficiency in her revenue under Federation would not exceed £50,000.

The following Table shows the amount of debt and interest of which each of the Six States would be relieved under the same proposal:—

PUBLIC DEBT.

AUSTRALIA AND TASMANIA.

	Existing Debt.	Debt to be Transferred on Basis of Victorian Debt.	Interest Transferred.	Debt and Interest remaining against each State.	
				Debt.	Interest.
	£	£	£	£	£
New South Wales.....	65,333,000	57,473,000	2,167,371	7,860,000	296,400
Victoria.....	49,325,000	49,325,000	1,852,701	—	—
Queensland.....	34,348,000	20,602,000	803,249	13,746,000	535,900
South Australia.....	26,142,000	15,600,000	576,522	10,532,000	389,300
West Australia.....	11,675,000	7,524,000	241,418	4,151,000	133,200
Tasmania.....	8,395,000	7,706,000	290,447	689,000	25,970
	195,208,000	158,230,000	5,731,908	36,978,000	1,390,770

In the Amendments suggested by the Tasmanian Parliament to be made in the Constitution of the Commonwealth in 1887, it was proposed that the balance of the debt of each State should be gradually transferred to the Commonwealth with the growth of the population of the State, and I have fully dealt with that proposal in my appendix to the pamphlet on *Federal Finance*, written by my friend Mr. R. M. Johnston in 1887, and I desire to acknowledge my obligations to him for the figures contained in this pamphlet.

A. I. C.