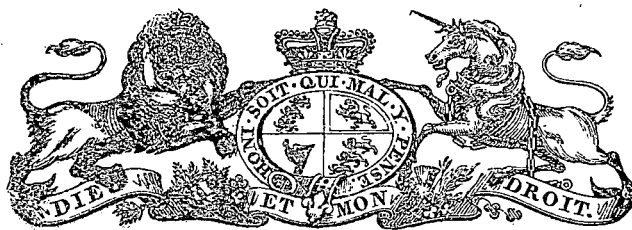


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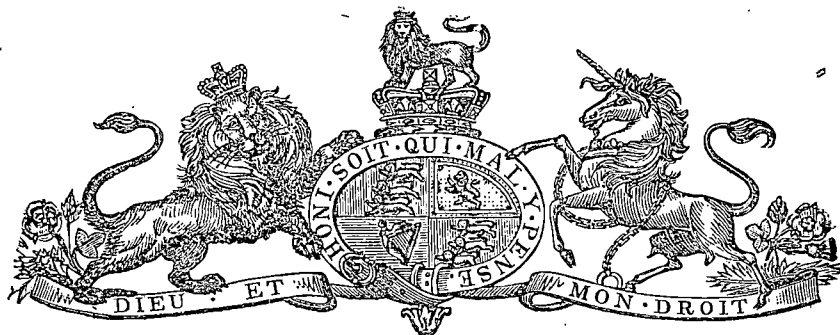
1898.

PARLIAMENT OF TASMANIA.

F E D E R A L F I N A N C E :

THE RESULT OF AN ENQUIRY, BY SIR PHILIP FYSH,
K.C.M.G., TREASURER.

Presented to both Houses of Parliament by His Excellency's Command.



THE RESULT OF AN ENQUIRY,

BY

SIR PHILIP FYSH, K. C. M. G.,

TREASURER,

INTO the assertion that in all countries “the relative actual consumption of semi-luxuries “or comforts is the best and most sensitive index barometer that could be selected for “purposes of comparison, and may therefore be safely trusted as affording under a “Uniform Tariff the most reliable index or ‘Opimeter’ of the relative consuming power “generally of the Colonies compared,” *i.e.*, that the relative power to consume “All other goods” is proportioned to the consumption in each Colony of the “Opimeter” commodities, viz., Tea, Coffee, Sugar, Tobacco, Spirits, and Wine.

MR. R. M. JOHNSTON, the Government Statistician, having computed that Tasmania will suffer by a deficiency of Revenue under a Commonwealth Uniform Tariff, which deficiency he has stated as £199,000, I have undertaken to show that much qualification of that result is necessary, and that the deficiency of Revenue is unlikely to be of such importance. His ability, general accuracy, zeal, and scientific dealing with the subject of figures deservedly give much weight to his conclusions.

I propose to deal plainly, and I hope practically, with the subject by the production of a few tables, and then leave the issue on future probabilities to the common sense of the people. No one can state the Federal Balance as to the surplus for each State: all depends upon the control which the people may exercise over their representatives, and the unknown developments which will accompany absolute freedom of trade all over Australia, and upon the trust they put in the ability of Tasmania to continue the Mineral developments which are progressing so marvellously.

The figures of the Statistician which have had my attention are an Appendix A. to this, dated March 29, 1898, and show a deficiency for Tasmania of £199,682.

The later re-examination of the case by Mr. Johnston under date April 16, 1898, is also printed herewith, Appendix B., from which it is satisfactory to have his conclusions that, with an “equality of Revenue-yielding power” shown by all the States, the deficiency in Tasmania will be £80,000.

Let it be distinctly borne in mind that deficiency in Revenue is not a loss but a gain to the consumers, the people; the deficiency is found through Mr. Johnston’s calculations being based upon a Uniform Commonwealth Tariff gauged to yield 34s. 9d. per head of population, while the Tasmanian Revenue on which the said deficiency of £80,000 is computed was on a Tariff which yielded 43s. 9d. per head.

The yield of that Tariff gave Tasmania a surplus of £60,000 for the past year, therefore the deficiency would be £20,000 and not £80,000.

In passing, I may give my assurance to the Tasmanian public that a Tariff, which in Tasmania will yield 34s. 9d per head for this year 1898, will supply all our needs, and obviate all necessity for any alteration of the incidence of taxation. The said £80,000 of deficiency therefore need not alarm us.

We have more seriously to regard the remainder of the £199,000, viz., £119,000, which is stated as a deficiency mostly discoverable by Tasmania's inability to consume in equal proportions to those consumed by any and all of the other Federating States, Tea, Coffee, Sugar, Tobacco, Spirits, and Wines.

Either from choice or want of means, the measure of consumption in Tasmania of those six commodities is permanently far below the index of ability registered by the Statistics of the other States relating to those said commodities, but this is most marked comparing New South Wales and Tasmania.

Mr. Johnston has coined a comprehensive word to signify that "relative power of consumption," and therefore when meeting with it, viz., "Opimeter," it stands for the relative power of each State to consume the six said commodities.

The sum of deficiency to which the figures now stand reduced by me is £119,000, which is still further reducible by £16,000 deducted by Mr. Johnston as Tasmania's share of the new Federal expenditure.

The sum needing our attention is therefore £103,000.

It is only a coincidence, but strangely so, that in the papers prepared by me on the basis of an address to the Chamber of Commerce, May 27th, 1897, £103,000 was stated as the cost to Tasmania of Federation on the basis of the 1891 Bill!!

On other occasions I have had to keep before the people the fact that whatever deficiency occurs in our Revenue by reason of Federation, not less than £30,000, irrespective of Sugar duty, will be the price paid by Tasmania for absolute freedom of trade throughout Australia; and that although that fact does not enter into the present statement, which should account for the £103,000 deficiency, the fact that we cannot obtain Federal advantages without some *quid pro quo* must be apparent.

It is, however, necessary with this enquiry to be convinced as to the contribution we must make to £1,250,000 of loss in the Federal Administration of the Departments taken over; viz.—Mint, Defence, Bankruptcy, and Patents, Post and Telegraph, Quarantine, cost of Customs, and Interest on cost of maintenance of Public Buildings.

That loss is a mere transfer of responsibility from the States to the Federation, and, owing to an Amendment in Melbourne of the 1891 Bill, Tasmania will not contribute £80,000 as heretofore estimated, but £19,000, respecting which there is no issue between Mr. Johnston and myself.

Our position, therefore, during five years when the Uniform Tariff shall be in operation, will be to have credit for all Revenue collected within our borders, and to have debited to us the Expenditure within our borders in connection with the Departments transferred to the Commonwealth.

On no other system could States be asked to enter into partnership. To divide at once the Customs and Excise Revenue of Western Australia, producing to her over £6 per head, with Tasmania, whose Revenue from Customs and Excise is one-third of that capitulation, needs only to be thought of to be dismissed as beyond practical Federation.

The alternative, when absolute freedom of trade is established throughout the Commonwealth, is a Uniform Tariff.

Such uniformity will completely upset all local finances, and will probably give occasion for fiscal problems of much importance.

The Statisticians have found for the Federal Representatives much food for serious reflection. I have always respected their worth. I have formed my own opinion of the conclusions at which they have arrived, and they are such as cause me astonishment that, both in and out of Convention, and now again, thoughtful capable men are not merely discounting, but ridiculing those conclusions. There is too much solid ground for the opinions which they have offered, and my purpose is more to discover where their conclusions should be considerably qualified.

The difference between Mr. Johnston's £80,000 deficiency to Tasmania on a Uniform Tariff on the basis of "equality of Revenue-yielding power" and £199,000, the "relative power of consumption" by Tasmania of the six "Opimeter" commodities, is far too great.

That the public may have data upon which to form their own opinions rather than to be dependent upon mine, I have prepared the following particulars. Their aim throughout is to show that, while "Opimeter" is a valuable measure it is not the only measure, and that even though it be used to discover a ruling power which moves the people in combined States, that power is subject to other forces within separate States. It may be the measure for four States—it is not for the fifth, viz., Tasmania.

In West Australia we find two disturbing causes putting out of court all notion of averages,—the temporary predominance of Manhood, and the measure of necessity which causes the importation of building material and household furniture to keep pace with immigration.

In Tasmania there is a measure of thrift and of sobriety, and, as an old settled country also of domesticity, controlling appetites for luxuries and especially for ardent spirits, but by reason thereof letting loose surplus wages for the purchase of "All other goods." Ever varying seasons of drought or plenty, emaciating or fattening our cattle, and contracting or enriching our harvest yields, have been serious causes of interference with the Revenue on "All other goods," upsetting all "Opimeter" theories.

In every Colony there is found a greater or lesser disturbance in the "Opimeter," proportioned to the extent and value of Public Works in progress, and to the progress of local manufactures.

Therefore "Opimeter" is not the only measure to be used. The capacities of the States to yield Revenue in all other goods are diverse, and I unhesitatingly arrive at the conclusion that the Statistician's claim that "Opimeter" shows all over the Commonwealth what is the relative capacity of each State to give Revenue in the consumption of "All other goods," is not proven.

Mr. Coghlan, New South Wales, in his figures, which show what each State would produce by a uniform Tariff of Tasmania, 1894, separates Narcotics and Stimulants as one class, and classifies the remainder as "All other goods."

Mr. Johnston, Tasmania, divides the Revenue also into two classes—Narcotics, Stimulants, and the semi-luxuries Tea, Coffee, and Sugar, six leading articles which give about one-half of the Customs Revenue of Australia. Tea, Coffee, Sugar, Tobacco, Spirits, and Wine, of which the relative value as Revenue-producers take the following places:—Spirits, Tobacco, Sugar, Beer, and Wine.

Mr. Fenton, Victoria, compiles his table upon Mr. Johnston's "Opimeter" selection. The commodities forming the "Opimeter" are therefore set against all the remaining commodities included by Statisticians in the definition "All other goods."

The consumption of spirits in Tasmania has been so prominent a cause of Revenue disturbance that I have separated it in one table, and given—

- (1) Spirits ;
- (2) All other of the semi-luxuries classed as "Opimeter" ;
- and
- (3) All other goods.

I find also that the Statisticians basing calculations on or compiling statistics from differing periods give such varied results as to shake the belief that any guide may be used as conclusive as the "Opimeter" is by Mr. Johnston ; and I am further of opinion that to measure off the portion of Federal surplus Revenue which is due to Tasmania by any arbitrary gauge will be disproved as inaccurate by the book-keeping system.

The "Opimeter" gives New South Wales £1 15s. 1d. per head, and to Tasmania £1 per head, out of a Revenue produced on a Tariff which averages £1 14s. 9d. That method returns to Tasmania from the Commonwealth Surplus £171,533, instead of £371,215, the actual Revenue of 1897. This extravagant result occurs in connection with the following facts:—

The Tariff of New South Wales and Tasmania for the "Opimeter" commodities are nearly similar ; their products, by reason of a larger consumption in New South Wales of spirits are dissimilar, but not sufficiently so to warrant such a disturbance of Tasmanian Revenue as follows:—

In 1897 the Customs and Excise Revenue of Tasmania from "Opimeter" sources was £175,000, and from all other sources, £195,000. The amount of surplus returned is therefore less than the actual product from "Opimeter" goods, and in results ignores the £195,000 collected from "All other goods."

I proceed to give in figures the result of my enquiries, and upon which I rely as a strong foundation for challenging the conclusion that, just in proportion to the consumption of tea, coffee, sugar, tobacco, spirits, and wine, will be found the consumption by each State of all other dutiable articles.

The Statisticians differ as to product of the seven commodities comprising "Opimeter."

Mr. R. M. Johnston gives an average of five years 1891-95 per head—

N. S. Wales.	Victoria.	S. Australia.	W. Australia.	Tasmania.
£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1 15 1	1 14 8	1 9 6	2 19 5	1 0 0

Mr. Fenton, on same years—(see Appendix C.)

1 9 6	1 7 11	1 4 4	3 2 9	1 3 1
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Mr. Coghlan's compilation is not comparable, being for the three years 1893-4-5, and is on Narcotics and Stimulants only the separated class with which his figures deal.

Yet, from Mr. Coghlan's figures, the following suffices to show that "Opimeter" is not a conclusive measure. These figures show that "All other goods" are disproportioned, and not proportioned, to the consumption of "Opimeter" commodities:—

IMPORTS and Excise Duties on basis Tasmanian Tariff of 1894, estimated on average Imports of 1893, 1894, and 1895.

	New South Wales.	Victoria.	South Australia.	Western Australia.	Tasmania.
	£	£	£	£	£
Duties on Intoxicants and Narcotics...	1,190,906	673,093	240,291	217,791	88,549
Excise Duties	159,675	210,974	50,257	5000	19,405
	1,350,581	884,067	290,548	222,791	107,954 A
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Per head of Population.....	1 1 10	0 15 0	0 16 8	2 18 10	0 13 10
	£	£	£	£	£
Duties on other Goods	2,277,620	1,543,264	581,780	293,768	196,044 B
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Per head of Population.....	1 16 10	1 6 3	1 13 4	3 17 8	1 5 1
	£	£	£	£	£
TOTAL.....	3,628,201	2,427,331	872,328	516,559	303,998
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
PER HEAD OF POPULATION...	2 18 8	2 1 3	2 10 0	6 16 6	1 18 11

Comparing the totals given, the Revenue from "Intoxicants and Narcotics" (A) with "Duties on all other Goods" (B), the following results are found:—

For every 20s. of duty collected by the Five Colonies upon Intoxicants and Narcotics (and they are the chief of the seven producers of the "Opimeter" class), they each produce from "All other goods" the following proportions, Tasmania being the next highest to South Australia:—

	N. S. Wales.	Victoria.	S. Australia.	W. Australia.	Tasmania.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Intoxicants, &c....	1 0 0	1 0 0	1 0 0	1 0 0	1 0 0
Other goods	1 13 8	1 14 11	2 0 0	1 6 4	1 16 4

The proportions of consumption of Narcotics and Stimulants, the most important elements of "Opimeter," as shown by the above Table, are, to me, destructive of the claims that the relative power to consume "Other goods" is indicated by the consumption of commodities which "Opimeter" registers.

They stand thus, in Mr. Coghlan's Table:—

	N. S. Wales.	Victoria.	S. Australia.	W. Australia.	Tasmania.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Narcotics and Stimulants..	1 1 10	0 15 0	0 16 8	2 18 10	0 13 10
Duty on "Other goods"...	1 16 10	1 6 3	1 13 4	3 17 8	1 5 1
Difference per cent.	68	75	108.33	32	81.33

Mr. Fenton gives the following Table, based on a collection of Duties and Excise, upon a uniform Tasmanian Tariff, 5 years 1891 to 1895, giving

	Spirits.	Beer.	Wine.	Tobacco.	Tea.	Sugar.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
New South Wales, per head	12 11	4 10	0 8	5 9	2 5	2 9
Tasmania	7 1	3 0	0 9	5 11	1 7	4 6
"Opimeter" registers						
New South Wales	1.91	1.21	6.42	1.41	1.33	1.33
Tasmania	1.00	1.00	1.00	1.00	1.00	1.00

If Mr. Fenton be correct, Wine and the very important revenue-yielding commodities Tobacco and Sugar, should all three stand below the index 1.00, and not, as Mr. Johnston states, respectively 6.42, 1.41, and 1.33.

"OPIMETER" NOT THE GUIDE AS TO TASMANIA.

Spirits consumed, being the chief item of the "Opimeter," is found by Mr. Fenton to be consumed in the proportion of duty paid in New South Wales, 12s. 11d. per head, in Tasmania, 7s. 1d. ditto.

Produced in Tasmania, 1891, £75,000, out of a boom Revenue of £390,000.

Fell in 1897 to £48,000 on a Revenue of £375,000.

The latter being a near approach to the boom Revenue of 1891.

The amount of duty from "All other goods" is disrated by the "Opimeter," but, as a fact, nearly makes good the loss on spirits, as the following shows:—

Spirits in Tasmania, producing 8s. 4d. per head in 1887, rising to 10s. 9d. per head in 1891, and settling down to an apparently steady product of revenue, varying between 5s. 6d. and 7s. 9d., during the last seven years; while, from the class of "All other goods," except the "Opimeter" class, the Revenue has, while varying persistently for the ten years 1887 to 1897, been progressive, 1887 giving 15s. 8d. per head, one year in the interval 24s. 1d., viz., the boom year for revenue, 1891, and, again, steadily rising in the past three years until 22s. 9d. per head is reached in 1897:—

	1887	1888	1889	1890	1891*	1892	1893	1894	1895	1896	1897*
Spirits only, per head ...	8/4	8/9	8/8	9/6	10/9	7/9	6/3	5/6	5/6	5/7	5/8
"All other Semi-luxuries," "Opimeter" Class, ex- cluding Spirits	16/5	16/4	17/	16/11	17/5	17/	15/	13/7	15/7	15/2	15/3
Total "Opimeter" Class..	24/9	25/1	25/8	26/5	28/2	24/9	21/3	19/1	21/1	20/9	20/11
"All other goods"	15/8	18/	17/8	18/10	24/1	19/9	16/10	19/5	19/7	21/6	22/9
Total Customs and Excise Taxation per head	40/5	43/1	43/4	45/3	52/3	44/6	38/1	38/6	40/8	42/3	43/8†

The former was a year by itself, abruptly towering mountain high compared with four preceding years, which averaged £326,000, while the £370,000 of the latter year is reached by steady progress—

1893.	1894.	1895.	1896.	1897.
£292,000	£299,000	£322,000	£347,000	£370,000.

The change of duty on Spirits from 12s. to 15s. per gallon took place in 1888 (imposed in 1887).

The primage duty which, for 1894, yielded £17,000, gave place to a proportionate increase of *ad valorem* duties in 1895.

There is nothing else that I am aware of to have caused these relative changes but the large Public Works Expenditure which almost closed with the year 1892, the failure of the Bank of Van Diemen's Land in 1891, and, much more so, the Melbourne Banking disasters of 1893, which marked the years of our extreme depression, 1893-4-5.

*The total Revenue for each of these two years, each by far the largest of the period, was, for 1891, £393,000, and for 1897, £370,000.

† It is not pretended that any figures in this Statement are worked out to fractions, even units and tens of pounds sterling are often omitted in the larger quantities.

Overcoming since all of these serious obstacles to the production of Revenue, the record of duty from "All other goods" shows not only a recovery, but a substantial yearly increase.

We do not consume so largely goods of the "Opimeter" class, but are spending much more freely upon "All other goods."

Whatever may be claimed as the result to Revenue of increased rates of *ad valorem* duty in later years on "All other goods," the demand for "Opimeter" commodities in former years, when large public works were in progress, far more than counter-balances, so that, having separated Spirits, I find in the following table that the revenue product of the remaining semi-luxuries forming the "Opimeter" is a steady register of ability to consume.

The Table is "the remainder of semi-luxuries of the Opimeter," *i.e.*, excluding Spirits—

	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897
Semi-Luxuries, "Opimeter" Class, excluding Spirits, per head	16/5	16/4	17/	16/11	17/5	17/	15/	13/7	15/7	15/2	15/3
"All other goods" ...	15/8	18/	17/8	18/10	24/1	19/9	16/10	19/5	19/7	21/6	22/9

and in the two months January and February of 1898 there is a further increase of Revenue from all of the commodities of the "Opimeter" class equivalent to 2s. per head per annum, including Beer.

The result from this examination and tables is found by comparing 1887 and 1897:—

	1887.	1897.
Spirits alone yielded per annum per head...	8s. 4d.	5s. 8d.
The remainder of "Opimeter" commodities	16s. 5d.	15s. 3d.
And from all other goods	15s. 8d.	22s. 9d.
	<u>£2 0s. 5d.</u>	<u>£2 3s. 8d.</u>

The loss on spirits being the only loss of importance, is made good by the increased consumption of all other goods.

The measure of Tasmania's ability to consume the semi-luxuries of the "Opimeter" class is not, therefore, the measure of Tasmania's capacity to consume all other commodities.

In the ten years, on Spirits we lost 2s. 8d. per head ;
 on the remainder of "Opimeter" commodities 1s. 2d. ,, ;
 while we gained 7s. 1d. ,, on "All other goods."

Of the last class of commodities—"All other goods"—I am able to report that for January and February, 1897, they produced £10,000 more than in the same months of 1896 ; and for the same months, 1898, £18,000 more than 1897 for the same months.

A progress of that measure will add many shillings of revenue per head, but I forbear to do more than indicate that there is a continued progress.

Whatever be the product of mathematical scientific speculation, all is upset by varying causes. Just now it is an influx of manhood (Johnston's "Andrometa"), which is increasing our "Relative power of consumption," but without such aid we can rely upon £174,000 per annum from any Commonwealth Uniform Tariff based upon the existing Tariff on the "Opimeter" commodities.

We have collected that sum on "Opimeter" commodities for Seven years past, which include the boom year 1891 ; *viz.* :—

1891.	1892.	1893.	1894.	1895.	1896.	1897.
£209,000	£185,000	£162,000	£146,000	£166,000	£167,000	£175,000

The Tariffs of New South Wales, Victoria, and Tasmania being, on—

Spirits.....	14s. gall.	12s.	15s.
Excise, Beer.....	3d. gall.	3d.	4d.
Tobacco.....	3s. lb.	3s.	3s.
Tea	<i>Nil.</i>	3d. lb.	3d.
Sugar.....	5s. cwt.	5s. 9d.	6s.

The variations of Tariffs on those commodities in that period have not been sufficiently important to materially affect the question.

I am entitled, therefore, to conclude that a similar Tariff of the Commonwealth will in Tasmania continue to produce £174,000.

The "Opimeter" will give us but £171,000 upon all goods,—“Opimeter” commodities and “All other goods,”—although from all other goods we collected in 1897 £195,000.

The “Opimeter” returns to us less than the duty collected in 1897 upon the commodities which it measures, and nothing of the £195,000 of revenue collected from “All other goods.”

I cannot find “Opimeter” to be the measure of Tasmania’s capacity to consume “All other goods,” for while the revenue on spirits does not increase with the population I find that the revenue from “All other goods” increases steadily.

We stood still with the “Opimeter” commodity, Spirits, in the years 1893 to 1897; we raised an increase revenue, £80,000, on “All other goods” in the same period, *e.g.*—

	1893.	1894.	1895.	1896.	1897.
Total Customs and Excise.....	£292,000	£299,000	£322,000	£347,000	£370,000

During 1890 to 1894 our Mining Dividends sank to £120,000; they have increased to £232,000 in 1897, and with increases of purchasing powers, our preference is for “All other goods,” a measure of “choice;” but not so with spirits, we do not measure and supply our daily wants by “spirits” consumed, although who doubts our capacity.

Increased rates of *ad valorem* duties imposed between 1891 and 1897 will account for $6\frac{1}{2}$ per cent. upon an average import value for *ad valorem* duties of £615,000, one half of the £80,000 increase.

Those six years include the three of financial famine, 1893, 1894, and 1895, when *ad valorem* imports were £500,000, £550,000, and £552,000; but the important Revenue Returns of 1896, 1897, and again, 1898, do not result from any rise in rates of duty.

Too much should not be made of the fact that such an important proportion of the increased duty upon “All other goods” arises from higher rates of duty. I found occasion in my latest Budget Statement to allude to the impoverished values of textile fabrics and clothing imported since *ad valorem* duties were levelled up beyond $12\frac{1}{2}$ per cent.

The large majority of the people measure their necessities by the values they can purchase. Having a limited twenty shillings to spend, and needing an article, their necessities are not measured by its value for wear, but by the price; and the soft goods’ traders have remarked upon the inferior textures and clothing imported as a necessity to meet the prices which severe duties necessitate. The value of *ad valorem* commodities, *i.e.*, separating specific duties, of which there has been no important change, from the class of “All other goods,” fell from £726,000 in 1887 to £603,000 on a higher duty in 1888, to £520,000 on a still higher duty in 1893, to £500,000 on a further increased rate operating in 1894.

The result is, that the higher rates of duty have not raised the increased Revenue of £80,000, shown in the above figures, comparing 1893 with 1897: *e.g.*—a low rate of $12\frac{1}{2}$ per cent. on £615,000 gives £76,800; a high rate of $17\frac{3}{4}$ per cent. on values depreciated £500,000 gives only £87,500.

Cheaper goods by lower duties and a larger consumption follows.

Mr. Johnston, on page 9 of “Federal Finance, 1897,” admits “a brief temporary decline in the purchasing power of the people, and therefore as regards the future a temporary but unreliable index of a permanent decline in the standard of living;” and I find that a decline in consumption of spirits is no decline in the standard of living, for we in Tasmania more than compensate the loss on Spirits by a preference for “All other goods.”

The great disparity I have shown in consumption of “Opimeter” commodities is chiefly found comparing New South Wales with Tasmania. With her Two millions of Territorial Revenue she has been able to keep her Tariff on all other goods low. She has not suffered in proportion as Victoria and Tasmania by the disasters of 1893. Hers

has been a steady and important progress. Only lately has Tasmania felt the advantage of an open port. What changes are to occur as a consequence of absolute freedom of trade no one can foretell, hence it is wise to test the Revenue-producing abilities of the States by the federal provision of five years' inter-State accounts before finally adjusting the division of the surplus.

The inevitable conclusion appears to be, that no constitutional engagements can be made which are likely to be permanently satisfactory; therefore it has been found desirable to give the fullest powers to the Federal Parliament to adjust the Finances and deal with the equities of the ever-recurring changes in the Financial conditions of each State. It does not appear to be possible to gauge the future possibilities of every State when a free-trade tariff for Intercolonial commerce has become established; nor is it more than speculating to arrive at any conclusion as to the number of years which may transpire before such an important change will have readjusted interests, and brought about developments which for Australia may be universal. But irrespective of such important considerations as will in each State attach to the altered conditions of trade, products, and manufactures, which must follow a Federal uniform tariff, there are the novel conditions of Western Australia rising in a few years from the slumbering condition of a junior State to an athlete in her bid for pride of place, conditions which appear also as likely to be repeated in Tasmania's experiences. Unfortunately the spirit of a federal partnership upon equal terms has not yet reached the conditions of finance. It has reached the recognition of equality of State representation, although, gauged by population, Tasmania could not make any such claim. The result of a partnership on equal financial terms would make easy all questions. Customs and excise, and service revenues, as well as services and departmental expenditure, together with all responsibility for the existing debts, would be blended, and the Federal Executive find little readjustment necessary if all were calculated upon a *per capita* basis.

Tasmanian Finance may be disturbed for a few years, and such disturbance, if only half as important as Mr. Johnston states, will be balanced by the important annual surpluses now accruing in Tasmania. If that disturbance be more important, and as land and income cannot bear a greater pressure than at present, the deficiency of the five years must either be capitalised, or await settlement for the improved position Tasmania is sure to occupy financially when Finance will, by the Federal Parliament, be dealt with on the true federal principle of share and share alike. If Tasmania will not accept Federation without incurring any risk,—it will not accept equality of State representation until terms in finance shall be made equally liberal for her, as the terms granted by equal State representation,—then Tasmania will live and rue the day when she refused good terms, and will be compelled to accept the terms of the Federal Parliament when, going cap in hand, Tasmania will have to ask admission—admission on equal terms is hers by right now,—refuse it, and she must accept such terms as are offered hereafter.

The text may be summed up by the following results:—

Tasmania has collected £174,000 for seven years past upon a Tariff on tea, coffee, sugar, tobacco, beer, and spirits. Her Tariff is very nearly similar on those goods to the Tariffs of New South Wales and other colonies.

There is no likelihood of such Tariff rates being seriously disturbed by a Commonwealth Tariff. Therefore, Tasmania may expect not less than £174,000 Revenue she now enjoys from these "Opimeter" commodities, and if so, she will receive that sum back plus whatever may come to her from a reduced Commonwealth Tariff on "All other goods," which now produce to Tasmania £190,000.

Tasmania collects 36s. 4d. on all other goods, against 20s. on the Opimeter commodities related by Mr. Coghlan, while New South Wales collects only 33s. 8d., a proof that "Opimeter" is unsafe as a measure of "relative capacity to consume other goods."

Tasmanian Revenue, 1887 and 1897 compared gives Revenue from "All other goods" relatively 15s. 8d. and 22s. 9d., while from "Opimeter" commodities Revenue has not improved.

Tasmania's loss of Revenue on Spirits, which is one of the most important of the "Opimeter" Class, has been far more than recovered in Revenue from "All other goods."

In Tasmania, all commodities of the "Opimeter" Class stand still as Revenue producing from 1893 to 1897, but, from "All other goods," it has risen £80,000 per annum.

The Federal Parliament is empowered to consolidate and unify all State debts; when that is done, not less than £50,000 per annum will be effected as a saving to the State of Tasmania.

Every year adds to this population 5000, and before the year that the Uniform Tariff runs out by effluxion of time, say 1906, Tasmania's population will be increased 40,000, which, on a Tariff of 30s. a head, will give £60,000.

Propertied classes need not be alarmed. Mr. Pulsford has stated a Freetrade Tariff which, altered by me from 10 per cent. to 20 per cent. *ad valorem* duty on drapery, will produce £7,000,000, excluding all the schedule of specific duties such as our groceries, crockery, and furniture, and all ironmongery, saddlery, and unmanufactured goods, which by such a Tariff would be free; a very unlikely Freetrade Tariff, considering that Victoria, South Australia, and Tasmania protect manufactures, and that all the Colonies, except New South Wales, have so much need for a high Revenue Tariff to maintain their credit.

P. O. FYSH.

20th April, 1898.

APPENDIX A.

FEDERAL FINANCE.—Probable Local *Surplus* or *Deficiency* to each State Treasury should an aggregate Federal Surplus of, say, £4,500,000, be distributed on the basis of local consumption of Customs and Excise Dutiable Articles (*i.e.*, Revenue-yielding Power, or *Opimeter* Method).

	Five Colonies.	New South Wales.	Victoria.	South Australia.	Western Australia.	Tasmania.
Population 1st January, 1898 ...	3,196,385	1,323,460	1,176,238	363,044	161,922	171,719
<i>Populimeter Index</i>	18.61405	7.70712	6.84978	2.11418	0.94296	1.00000
<i>Opimeter Index</i> *	1.00000	1.02173	1.01038	0.90386	1.35453	0.63038
Customs and Excise Revenue abandoned.....	£ 5,504,041	£ 1,514,000	£ 2,030,702	£ 591,312	£ 996,812	£ 371,215†
Net Expenditure relieved by proposed transfer of services...	1,050,132	418,500	366,129	74,180	172,169	19,154
Probable proportion of aggregate Federal Surplus (£4,500,000) receivable on basis of local consumption of Dutiable Articles under a uniform Tariff	4,500,000	1,903,715	1,673,152	461,970	308,784	152,379
	5,550,132	2,322,215	2,039,281	536,150	480,953	171,533
Net Surplus or Deficiency to each State	46,091	808,215	8579	...	...	...
Surplus	46,091	808,215	8579	...	...	...
Deficiency.	...	...	...	55,162	515,859	199,682

PER HEAD.

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Customs and Excise Revenue abandoned	1 11 7	1 2 10	1 14 6	1 12 7	6 3 2	2 3 3
Net Expenditure relieved by proposed transfer of services ...	0 6 7	0 6 4	0 6 3	0 4 1	1 1 3	0 2 3
Probable proportion of aggregate Federal Surplus (£4,500,000) receivable on basis of local consumption of Dutiable Articles under a Uniform Tariff*	1 8 2	1 8 9	1 8 5	1 5 5	1 18 2	0 17 9
	1 14 9	1 15 1	1 14 8	1 9 6	2 19 5	1 0 0
Net Surplus or Deficiency to each State	0 3 2	0 12 3	0 0 2	...	...	...
Surplus	0 3 2	0 12 3	0 0 2	...	...	...
Deficiency.	...	...	...	0 3 1	3 3 9	1 3 3

* Calculated on the basis of mean local consumption of the seven primary dutiable articles during the five years 1891-1895. For illustration of this method see "Observations on the difficulties of the (Federal Finance) problem," by the writer, pp. 2-8. Hobart, 1897, (Pamphlet).

† Year 1897.

R. M. JOHNSTON, *Government Statistician, Tasmania.*

Hobart, 29th March, 1898.

APPENDIX B.

FEDERAL FINANCE.—Probable annual net Gain or Loss to each of the Five federating State Treasurers, assuming that a Federal Revenue of £6,000,000 is raised upon a Uniform Tariff; and assuming that each Colony retains the Balance of its own collections, after deducting from local gross collections its net share of burden transferred together with its *per capita* share of new Federal Expense, estimated at £300,000.

TABLE I.—RELATIVE REVENUE-YIELDING BASIS.*

State.	Federal Revenue collected.*	Deduct State Share of			Balance Surplus retained.	Net State (existing) Revenue relinquished.	Net State Gain or Loss.		Opimeter Index or Relative Revenue-yielding Power.
		New Federal Expenditure.	Net Expenditure relieved by Transfer.	Total.			Gain.	Loss.	
N.S.W...	£ 2,538,287	£ 123,215	£ 418,500	£ 542,715	£ 1,995,572	£ 1,095,500	£ 900,072	...	1.02173
Vic.	2,230,869	110,397	366,129	476,526	1,754,343	1,664,573	89,770	...	1.01038
S.A.	615,960	34,074	74,180	108,254	507,706	517,132	...	9426	0.90386
W.A.	411,712	15,197	172,169	187,366	224,346	824,643	...	600,297	1.35453
Tas.	203,172	16,117	19,154	35,271	167,901	†366,846	...	198,945	0.63038
Five Colonies.	6,000,000	300,000	1,050,132	1,350,132	4,649,868	4,468,694	989,842	868,668	1.00000
							181,174	...	

* Distributed on the basis of relative consumption of principal dutiable articles during five years 1891-5.

† Based upon estimated Revenue for year 1898.

TABLE II.—POPULATION BASIS.† Equivalent to Equality of Revenue-yielding Power.

ABSOLUTE.

	1.†	2.	3.	4.	5.	6.	7.	8.
New South Wales.....	2,484,293	124,215	418,500	542,715	1,941,578	1,095,500	846,078	...
Victoria	2,207,939	110,397	366,129	476,526	1,731,413	1,664,573	66,840	...
South Australia.....	681,477	34,074	74,180	108,254	573,223	517,132	56,091	...
West Australia	303,951	15,197	172,169	187,366	116,585	824,643	...	708,058
Tasmania	322,340	16,117	19,154	35,271	287,069	† 366,846	...	79,777
							969,009	787,835
Five Colonies	6,000,000	300,000	1,050,132	1,350,132	4,649,868	4,468,694	181,174	...

† Distributed on basis of Population.

‡ Based upon Estimated Revenue for year 1898.

TABLE IA.—RELATIVE REVENUE-YIELDING BASIS.

PER CAPITA.

State.	Federal Revenue collected.	Deduct State Share of			Balance Surplus retained.	Net (Existing) State Revenue relinquished.	Net State Gain or Loss.		Opimeter Index or Relative Revenue-yielding Power.
		New Federal Expenditure.	Net Expenditure relieved by Transfer.	Total.			Gain.	Loss.	
	1	2	3	4	5	6	7	8	9
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
N.S.W.	1 18 4	0 1 10	0 6 4	0 8 2	1 10 2	0 16 7	0 13 7	—	1·02173
Vic.....	1 17 11	0 1 10	0 6 3	0 8 1	1 9 10	1 8 4	0 1 6	—	1·01038
S.A.	1 13 11	0 1 10	0 4 1	0 5 11	1 8 0	1 8 6	—	0 0 6	0·90386
W.A....	2 10 10	0 1 10	0 19 6	1 1 4	1 5 6	4 13 10	—	3 8 4	1·35453
Tas.	1 3 8	0 1 10	0 2 3	0 4 1	0 19 7	2 2 9	—	1 3 2	0·63038
Five Colonies	1 17 7	0 1 10	0 6 7	0 8 5	1 9 2	1 8 0	0 1 2	—	1·00000

TABLE IIA.—POPULATION BASIS. Equivalent to Equality of Revenue-yielding Power.

PER CAPITA.

	1	2	3	4	5	6	7	8	Populimeter Index.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	9
New South Wales..	1 17 7	0 1 10	0 6 4	0 8 2	1 9 5	0 16 7	0 12 10	...	7·70712
Victoria.....	1 17 7	0 1 10	0 6 3	0 8 1	1 9 6	1 8 4	0 1 2	...	6·84978
South Australia....	1 17 7	0 1 10	0 4 1	0 5 11	1 11 7	1 8 6	0 3 1	...	2·11418
West Australia.....	1 17 7	0 1 10	1 1 4	1 3 2	0 14 5	5 2 0	...	4 7 7	0·94296
Tasmania	1 17 7	0 1 10	0 2 3	0 4 1	1 13 6	2 2 9	...	0 9 3	1·00000
Five Colonies.....	1 17 7	0 1 10	0 6 7	0 8 5	1 9 2	1 8 0	0 1 2	...	18·61405

R. M. JOHNSTON, *Government Statistician.*

April 16, 1898.

EXPLANATORY NOTE TO TABLES IN APPENDIX B.

For many years past, including year 1897, the consumption of chief dutiable articles in Tasmania has been uniformly about one-third less than the average of the five Colonies. If this continues, as it probably will do during the next five or six years at least, the Melbourne draft finance proposals will cause a loss to the Tasmanian Treasury of about £199,000 annually during the first five years under a uniform tariff. Any improvement in aggregate increase of Customs and Excise can only slightly affect this conclusion. But, assuming what is altogether hazardous and improbable, that our relative consumption of principal dutiable articles under a uniform tariff will cause an increase of 33 per cent. in revenue *per capita*, there will still remain a loss of about £80,000 annually to local State Treasury of Tasmania.

The improvement in Customs and Excise revenue in Tasmania during 1897 and 1898 is mainly due to increase in population, and not at all to increased consumption of dutiable articles *per capita*.

Any improvement in Customs and Excise Revenue is no index of a corresponding improvement in land revenues and direct taxes. The land revenues must of necessity dwindle as the Crown estate is more and more alienated.

Any material improvement in the financial condition of the country is almost invariably associated with relief from direct taxes such as Income Tax, Real Estate Tax: that is, the rate per £1 is lowered in prosperous times.

As these will be our main sources of revenue in the future, it will be seen how unreasonable it is to expect any improvement in such sources of revenue corresponding to any present tendency of improvement in a source of revenue—Customs and Excise—which must be abandoned. It is also overlooked that the aggregate requirement of Federal obligations will not exceed above £6,000,000, and should this aggregate tend to swell up to a larger amount by improved conditions, it will be speedily reduced to the necessary aggregate by a lowering of the uniform tariff rates. No help, therefore, can be expected in this direction. On the other hand, our local State functions are now carried on at a minimum of cost.

Our roads and public works demand a greater outlay than is now provided, and hence our State expenditure is sure to increase rather than diminish.

Altogether, therefore, there is every reason to fear financial disaster to this Colony if the Melbourne Draft Bill is adopted by Tasmania.

If the Public Debts of the State were taken over by the Commonwealth upon an equitable basis, as urged by Mr. A. I. Clark, Sir P. O. Fysh, and Mr. John Henry, all these financial troubles would have been averted. Seeing that the credit of Australia would be so materially improved by such transfer and consolidation, it is a great blot upon the Melbourne draft proposals that the transfer of the State debts was not made mandatory instead of permissive. To return the large aggregate of vastly unequal State losses of Revenue upon any uniform basis, whether Population or Revenue-yielding as in the Melbourne proposals, is one of the most foolish plans that could be adopted, and certainly must ensure anomalies and financial disaster to the smaller States.

Compensation according to loss in each State can alone prevent disaster, and this, the only reasonable way out of the financial difficulty, was scoffed at by the majority of the Finance Delegates of the larger Colonies, who have nothing to fear.

R. M. JOHNSTON, *Government Statistician.*
April, 16, 1898.

APPENDIX C.

AVERAGE ANNUAL AMOUNT OF CUSTOMS AND EXCISE DUTY THAT WOULD HAVE BEEN RECEIVABLE UNDER THE TASMANIAN TARIFF FROM CERTAIN ARTICLES ENTERED FOR CONSUMPTION IN FIVE AUSTRALASIAN COLONIES, 1891 TO 1895.

Colony.	Average Annual Amount receivable from—							
	Spirits.	Beer.	Wine.	Tobacco.	Tea.	Coffee.	Sugar and Molasses.	Total of Seven Articles.
	£	£	£	£	£	£	£	£
Victoria	518,700	288,898	21,741	361,500	130,882	12,605	294,805	1,629,131
New South Wales ...	780,150	291,206	37,518	346,776	147,590	9652	166,566	1,779,458
South Australia	99,600	64,686	2932	116,877	31,620	3740	87,428	406,883
Western Australia ...	77,700	45,059*	17,741	49,896	7247	1052	15,475	214,170
Tasmania	54,600	24,345	5920	45,413	11,993	678	34,530	177,479
	Average per Head of Population.							
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Victoria	0 8 11	0 4 11	0 0 4	0 6 3	0 2 3	0 0 2	0 5 1	1 7 11
New South Wales ...	0 12 11	0 4 10	0 0 8	0 5 9	0 2 5	0 0 2	0 2 9	1 9 6
South Australia	0 5 11	0 3 10	0 0 2	0 7 0	0 1 11	0 0 3	0 5 3	1 4 4
Western Australia ...	1 2 9	0 13 2	0 5 3	0 14 8	0 2 0	0 0 4	0 4 7	3 2 9
Tasmania	0 7 1	0 3 2	0 0 9	0 5 11	0 1 7	0 0 1	0 4 6	1 3 1

* Return from Excise estimated at £20,000.

JAS. J. FENTON, *Acting Government Statistician.*

Office of the Government Statist,
Melbourne, 9th February, 1898.

FEDERAL FINANCE

LOSS - GAIN +

+ 1/2 + 13/7 + 1/6 - 7/6 - 68/4 - 23/7

NET REVENUE RELINQUISHED 28/ 16/7 28/4 28/6 93/10 47/9

DO. YIELDING POWER 29/2 30/2 29/10 28/ 75/6 19/7

