

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 five years 1916–17 to 1920–21 :—

STATE REVENUE, 1916–17 TO 1920–21.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
1916–17	20,537,835	11,813,879	7,880,893	4,874,603	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
1919–20	28,650,496	15,866,184	11,293,743	6,582,788	5,863,501	1,815,031	70,071,743
1920–21	34,031,396	19,054,475	12,601,031	7,151,366	6,789,565	2,105,449	81,733,282

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

During the five years from 30th June, 1916, to 30th June, 1921, the aggregate revenues of the States increased by no less a sum than £30,679,697, or about 60 per cent. Increases were in evidence in all the States, the largest being that of £13,493,561 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 five years 1916–17 to 1920–21, 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, 1916–17 TO 1920–21.

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.
1916–17 ..	10 17 11	8 16 2	11 12 6	11 0 7	14 18 7	7 0 0	10 7 7
1917–18 ..	11 4 10	8 18 10	12 7 0	12 7 4	15 1 8	7 11 9	10 18 4
1918–19 ..	11 19 1	9 1 6	13 6 11	12 13 4	15 19 3	7 15 11	11 9 2
1919–20 ..	14 1 2	10 11 1	15 6 3	13 13 4	17 18 2	8 12 11	13 4 2
1920–21 ..	16 5 6	12 9 4	16 15 0	14 11 2	20 10 6	9 17 10	15 2 0

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 in the case of Queensland. Western Australia throughout the period has led the other States, and in 1920-21 the revenue per head in that State exceeded the Commonwealth average by about 36 per cent.

4. Details for 1920-21.—Classifying the revenue of the several States in the manner indicated in § 2 (A) 1 above, particulars for the year 1920-21 are as follows :—

DETAILS OF STATE REVENUE, 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
Taxation ..	7,388,133	3,840,833	3,682,642	1,622,076	955,359	708,603	18,203,646
Public works and services ..	21,217,399	10,841,568	5,508,743	4,169,450	3,758,688	816,043	46,311,900
Land ..	2,151,465	538,731	1,640,624	296,494	437,266	103,064	5,167,644
Commonwealth subsidy ..	2,533,234	1,878,449	910,632	588,603	564,735	(a) 362,514	6,838,167
Miscellaneous ..	741,165	1,948,894	858,390	474,734	1,073,517	115,225	5,211,025
Total ..	34,031,396	19,054,475	12,601,031	7,151,366	6,789,565	2,105,449	81,733,282

(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 657. This arises from the fact that the State figures shew the amount for which credit was taken by the State during the financial year 1920-21, whilst the Commonwealth figures shew the amounts paid to State Treasurers on account of that financial year.

5. Revenue per Head, 1920-21.—Particulars concerning the revenue per head of population in each State derived from the several sources enumerated in the preceding sub-section are given hereunder :—

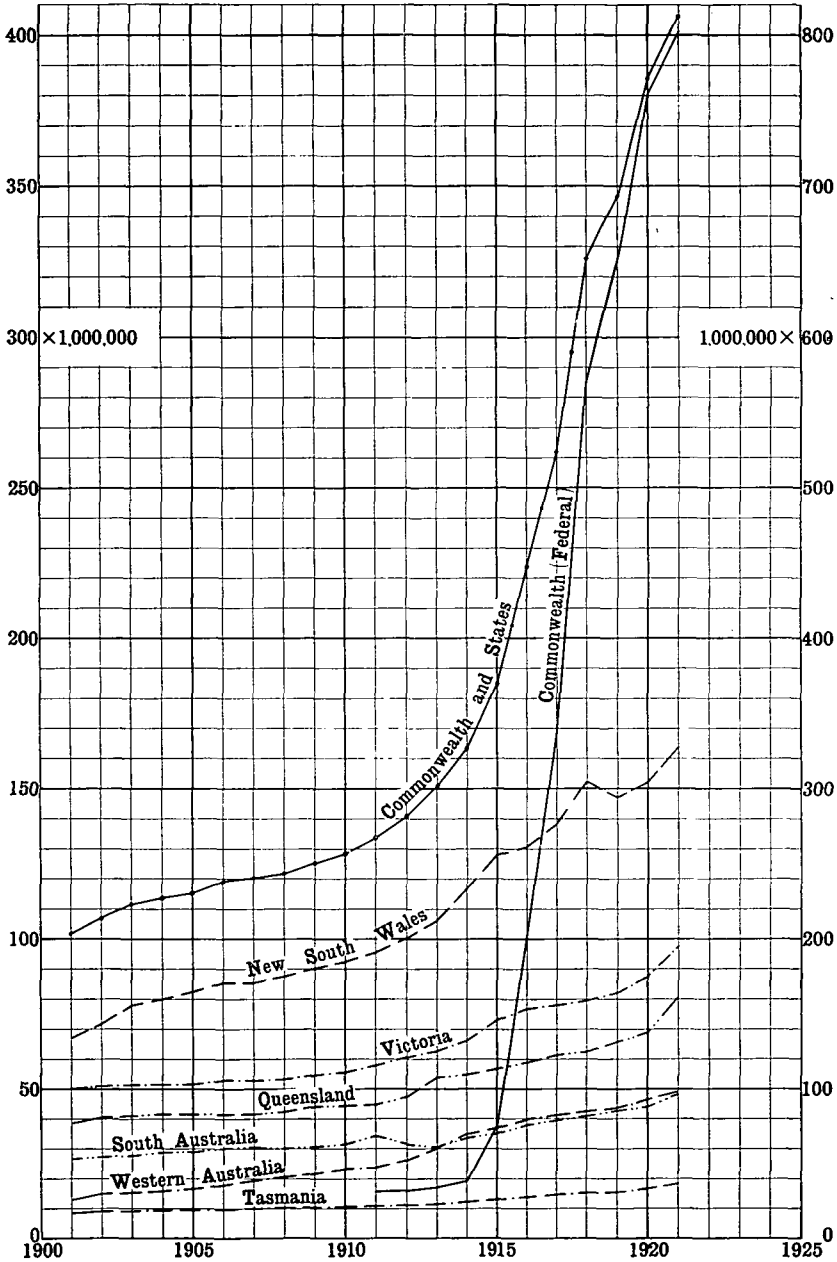
STATE REVENUE FROM VARIOUS SOURCES PER HEAD OF POPULATION, 1920-21.

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 ..	3 10 8	2 10 4	4 17 11	3 6 0	2 17 9	3 6 7	3 7 3
Public Works and services ..	10 2 11	7 1 11	7 6 6	8 9 9	11 7 3	3 16 8	8 11 2
Land ..	1 0 7	0 7 1	2 3 7	0 12 1	1 6 5	0 9 8	0 19 1
Commonwealth subsidy ..	1 4 3	1 4 6	1 4 2	1 4 0	1 14 2	1 14 1	1 5 3
Miscellaneous ..	0 7 1	1 5 6	1 2 10	0 19 4	3 4 11	0 10 10	0 19 3
Total ..	16 5 6	12 9 4	16 15 0	14 11 2	20 10 6	9 17 10	15 2 0

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

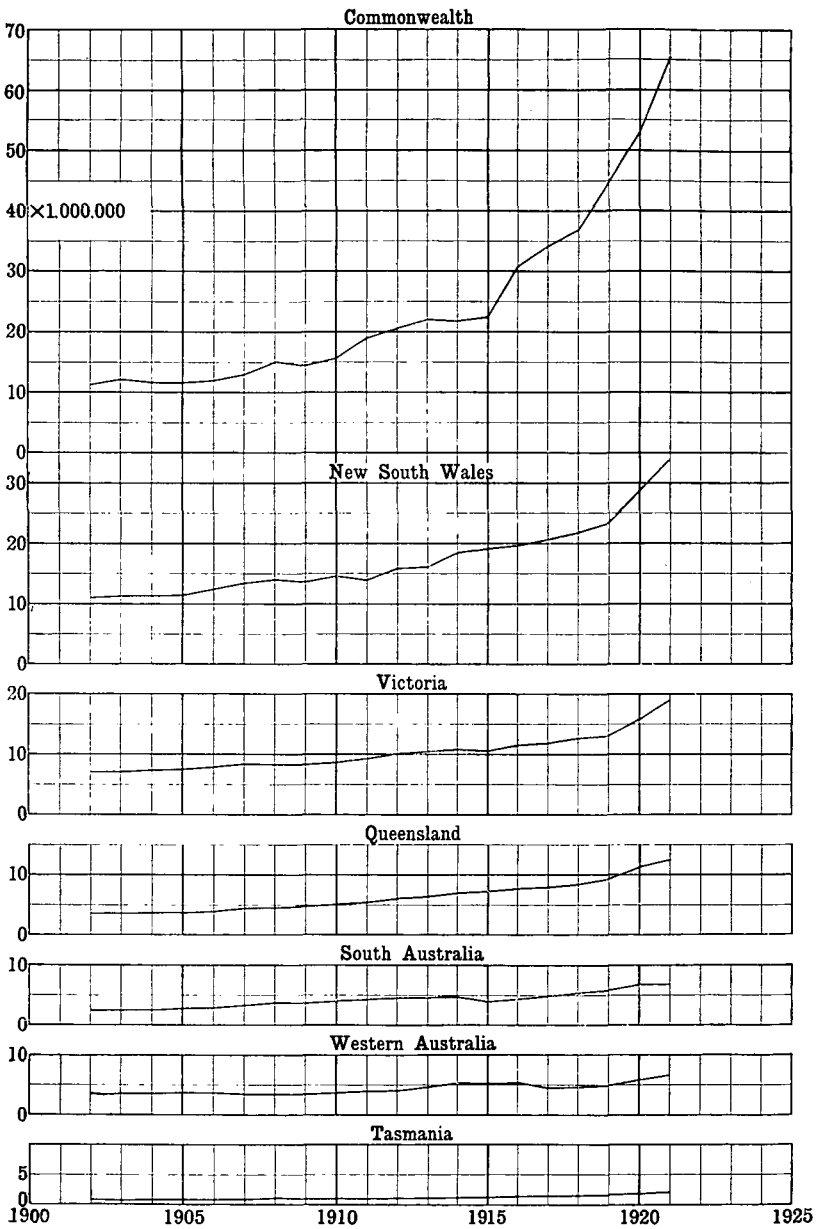
AUSTRALIAN PUBLIC DEBT—COMMONWEALTH AND STATES, 1900-1 TO 1920-21.



See pp. 662, 686.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £10,000,000 in the case of the Commonwealth (Federal) and States Debts the scale for which is on the left hand side, and £20,000,000 for Commonwealth and States combined the scale for which is on the right hand. The Commonwealth (Federal) debt commenced in the year 1911.

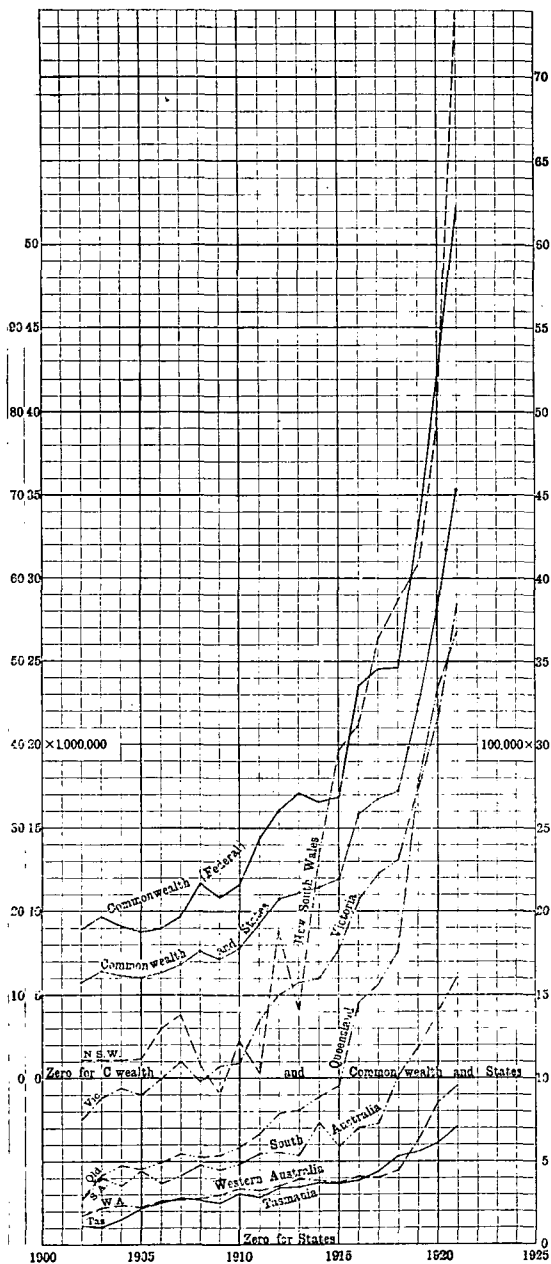
AUSTRALIAN CONSOLIDATED REVENUE—COMMONWEALTH AND STATES, 1901-2 TO 1920-21.



See pp. 640, 659.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £5,000,000. The zero lines in each case are marked thus "0."

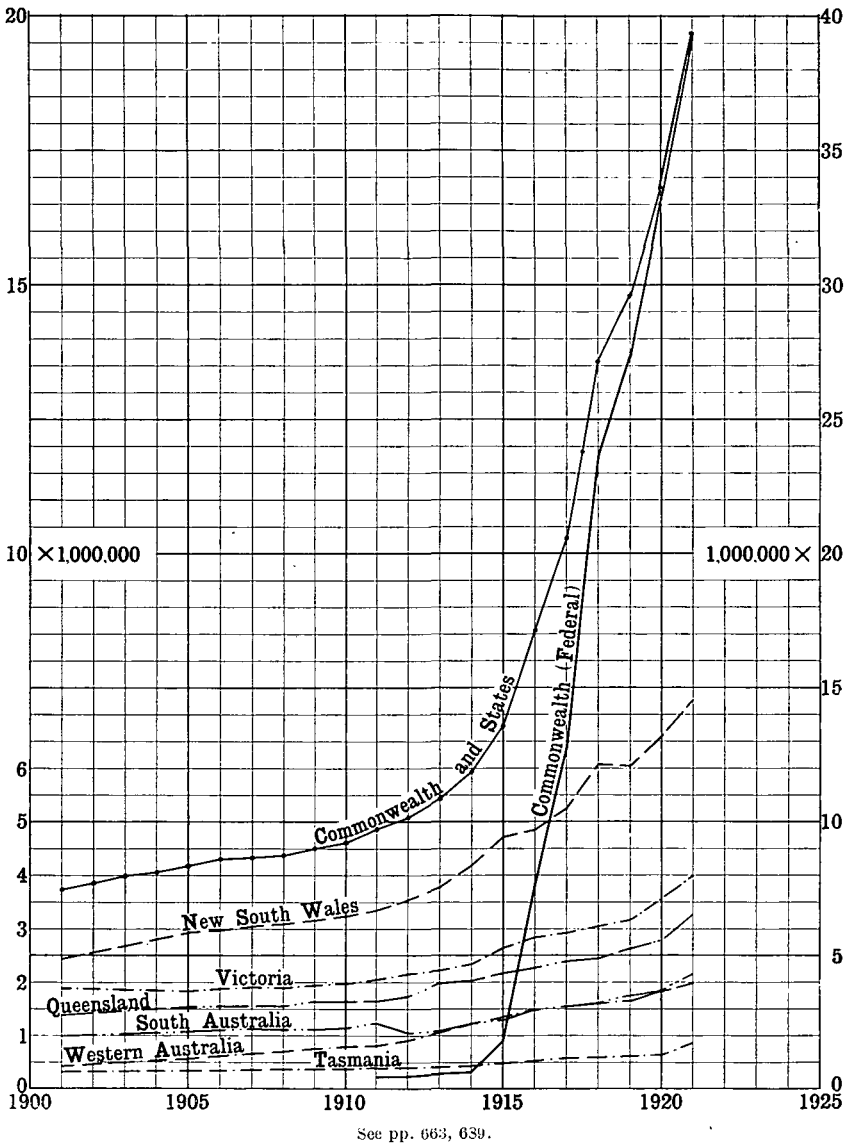
TAXATION.—COMMONWEALTH AND STATES, 1901-2 TO 1920-21.



See pp. 643, 675.

EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year. Of the two scales on the left hand the outer one is that for the Commonwealth and States combined, the vertical height of each square representing £2,000,000 and the inner one that for the Commonwealth (Federal), the vertical height representing £1,000,000. The scale on the right hand is that for the States and the vertical height of each small square represents £100,000.

INTEREST ON PUBLIC DEBT.—COMMONWEALTH AND STATES, 1900-1 TO 1920-21.



EXPLANATION OF GRAPHS.—The base of each small square represents an interval of one year, while the vertical height represents £500,000 in the case of the Commonwealth (Federal) and States, the scale for which is on the left hand side, and £1,000,000 in the case of the Commonwealth and States combined for which the scale is on the right hand side.

States, the figures given being the percentage which each item of revenue bears to the total for the State for the year 1920-21 :—

PERCENTAGE OF ITEMS ON TOTAL STATE REVENUE, 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Taxation	21.71	20.19	29.22	22.68	14.07	33.65	22.27
Public works and services ..	62.35	56.90	43.72	58.30	55.36	38.76	56.66
Land	6.32	2.82	13.02	4.16	6.44	4.90	6.32
Commonwealth subsidy	7.44	9.86	7.23	8.23	8.32	17.22	8.37
Miscellaneous	2.18	10.23	6.81	6.63	15.81	5.47	6.38
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

7. State Taxation.—(a) *Details, 1920-21.* 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 1920-21 stamp duties occupied second place. In addition to these a State land tax and licence fees of various kinds are now 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 1920-21 was £18,203,646, details of which are set forth in the table hereunder :—

STATE REVENUE FROM TAXATION, 1920-21.

Taxation.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Probate and succession duties	734,352	702,468	328,204	158,107	42,407	53,407	2,018,945
Other stamp duties	1,414,468	930,221	332,559	370,288	177,404	148,893	3,373,833
Land Tax	2,717	331,756	469,175	168,020	57,791	89,085	1,118,544
Income Tax	4,399,360	1,591,198	2,410,171	852,001	579,289	348,005	10,180,024
Licences	212,744	274,020	88,567	87,212	41,020	16,164	669,727
Other Taxation	624,492	17,170	53,966	36,448	57,448	53,049	842,573
Total	7,388,133	3,846,833	3,682,642	1,622,076	955,359	708,603	18,203,646

(b) *Summary, 1916-17 to 1920-21.* The total amount raised by means of taxation by the several State Governments during the five years 1916-17 to 1920-21 is given in the following table :—

STATE REVENUE FROM TAXATION, 1916-17 TO 1920-21.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
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
1919-20 ..	4,962,518	3,159,767	3,323,745	1,391,830	844,197	609,576	14,291,633
1920-21 ..	7,388,133	3,846,833	3,682,642	1,622,076	955,359	708,603	18,203,646

During the period between 30th June, 1916, and 30th June, 1921, the aggregate State revenue from taxation almost exactly doubled itself, 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 1920-21 over the preceding year amounted to £3,912,013, or nearly 27 per cent.

The revenue per head of population from State taxation, collected in the several States during each of the years 1916-17 to 1920-21, was as follows :—

STATE TAXATION PER HEAD, 1916-17 TO 1920-21.

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.
1916-17 ..	1 18 6	1 11 10	2 6 2	1 12 11	1 6 3	2 4 10	1 16 7
1917-18 ..	2 0 3	1 12 7	2 11 3	2 5 6	1 9 4	2 13 10	1 19 10
1918-19 ..	2 1 8	1 18 2	3 18 7	2 11 10	2 0 7	2 14 8	2 7 1
1919-20 ..	2 8 8	2 2 0	4 10 1	2 17 10	2 11 7	2 18 1	2 13 11
1920-21 ..	3 10 8	2 10 4	4 17 11	3 6 0	2 17 9	3 6 7	3 7 3

Taking the States as a whole, the State taxation increased by 30s. 8d. per head during the period from 1916-17 to 1920-21, the most marked increase occurring in the case of Queensland. Most of the advance took place in the last three years, and was chiefly due to the Land and Income Taxes.

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 1916-17 to 1920-21, as well as the amount per head of population :—

COMMONWEALTH AND STATE TAXATION, 1916-17 TO 1920-21.

Particulars.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
Commonwealth taxation ..	24,527,040	24,606,743	32,864,486	41,847,692	52,427,421
State taxation ..	8,998,077	9,932,183	11,971,254	14,291,633	18,203,646
Total ..	33,525,117	34,538,926	44,835,740	56,139,325	70,631,067
Taxation per head ..	£6/16/4	£6/18/7	£8/16/6	£10/11/9	£13/1/0

Whilst the Commonwealth taxation increased during the period by £27,900,381 the State taxation advanced by £9,205,569, the aggregate increase being £37,105,950. The amount *per capita* of total taxation remained fairly constant for some years previous to 1915-16, at an average of about £4 15s. Since then, however, it has reached an

extremely 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 direct taxes, consequent upon the war.

The subject of taxation was treated in great detail at the end of Section XX. in the Official Year Book No. 14.

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 1920–21 the aggregate revenue from these sources totalled £46,311,900, or nearly 57 per cent. of the revenue from all sources. Details of revenue from public works and services for the year 1920–21 are as follows :—

STATE REVENUE FROM PUBLIC WORKS AND SERVICES, 1920–21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways	18,047,389	9,848,061	5,330,312	2,996,882	2,913,611	594,843	39,731,098
Harbour services ..	1,015,135	145,938	54,249	440,632	185,469	..	1,841,423
Public batteries ..	..	555	..	..	69,467	..	70,022
Water supply and sewerage	1,618,261	(a)284,063	..	370,320	402,355	..	2,674,999
Other public services ..	530,614	562,951	124,182	361,625	187,786	221,200	1,994,358
Total	21,217,399	10,841,568	5,508,743	4,169,459	3,758,688	816,043	46,311,900

(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 1920–21 :—

STATE LAND REVENUE, 1920–21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Sales ..	1,249,761	330,829	423,321	136,363	342,362	50,176	2,532,812
Rentals ..	901,704	207,902	1,217,303	160,131	94,904	52,888	2,634,832
Total ..	2,151,465	538,731	1,640,624	296,494	437,266	103,064	5,167,644

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 1920–21 aggregated £6,838,167. 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 1920-21 was of the total revenue of that State is shewn in the following table :—

COMMONWEALTH SUBSIDY PAID TO STATES DURING 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Commonwealth subsidy	2,533,234	1,878,449	910,632	588,603	564,735	(a)362,514	6,838,167
Total revenue	34,031,396	19,054,475	12,601,031	7,151,366	6,789,565	2,105,449	81,733,282
Percentage of subsidy on revenue	%	%	%	%	%	%	%
	7.44	9.86	7.23	8.23	8.32	17.22	8.37

(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 1920-21. (See also page 670.)

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 1920-21 aggregated £5,211,925. Of this amount, interest was responsible for £2,324,911.

(B) Disbursements.

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

- (a) Interest and sinking funds in connexion 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 1920-21 represented about 39 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 1916-17 to 1920-21 is furnished in the table given hereunder :—

STATE EXPENDITURE, CONSOLIDATED REVENUE FUNDS, 1916-17 TO 1920-21.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
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
1919-20	30,210,013	15,752,459	11,266,910	6,457,039	6,531,725	1,828,301	72,046,447
1920-21	34,476,892	18,941,698	12,591,201	7,543,640	7,476,291	2,189,157	83,218,879

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 1916–17 to 1920–21 is as follows :—

STATE EXPENDITURE PER HEAD, 1916-17 TO 1920-21.

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.
1916-17	11 0 9	8 7 11	12 0 0	11 14 11	17 4 3	7 4 5	10 13 11
1917-18	11 4 7	8 18 3	12 18 11	12 6 2	17 7 8	7 7 4	11 2 3
1918-19	11 16 11	9 1 2	13 11 10	12 16 9	18 0 10	8 2 0	11 12 1
1919-20	14 16 5	10 9 7	15 5 6	13 8 2	19 19 0	8 14 2	13 11 8
1920-21	16 9 9	12 7 11	16 14 9	15 7 2	22 12 0	10 5 8	17 7 6

4. **Details of Expenditure for 1920-21.**—The following table furnishes for the year 1920-21 particulars as to the expenditure of the several States under each of the principal heads :—

DETAILS OF STATE EXPENDITURE, 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Public debt (interest, sinking fund, etc.) ..	6,631,068	4,390,439	2,930,703	1,875,054	2,233,881	739,584	18,800,729
Railways and tramways (working expenses) ..	14 060 309	7,857,380	5,046,498	2,613,904	2,630,281	487,154	32,695,526
Justice	483,843	226,608	172,677	64,824	87,186	18,962	1,054,100
Police	1,029,804	585,080	475,990	195,435	174,829	79,372	2,540,510
Penal establishments ..	113,882	75,981	40,190	33,010	28,685	9,773	301,521
Education	3,448,313	1,832,444	1,283,350	578,973	511,010	262,537	7,916,627
Medical and charitable ..	1 740 246	899,387	949,970	376,477	351,495	170,194	4,487,769
All other expenditure ..	6,969,427	3,074,379	1,691,823	1,805,963	1,458,924	421,581	15,422,097
Total	34,476,892	18,941,698	12,591,201	7,543,640	7,476,291	2,189,157	83,218,879

5. **Expenditure per Head, 1920-21.**—The expenditure per head of population of the several States for the year 1920-21 under each of the principal items, is given hereunder :—

STATE EXPENDITURE PER HEAD, 1920-21.

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.) ..	3 3 5	2 17 6	3 17 11	3 16 4	6 15 1	3 9 6	3 9 6
Railways and tramways (working expenses) ..	6 14 6	5 2 10	6 14 2	5 6 5	7 19 0	2 5 9	6 0 10
Justice	0 4 8	0 2 11	0 4 7	0 2 8	0 5 3	0 1 9	0 3 11
Police	0 9 10	0 7 8	0 12 8	0 7 11	0 10 7	0 7 6	0 9 4
Penal establishments ..	0 1 1	0 1 0	0 1 1	0 1 4	0 1 9	0 0 11	0 1 1
Education	1 13 0	1 4 0	1 14 1	1 3 7	1 10 11	1 4 8	1 9 3
Medical and charitable ..	0 16 8	0 11 9	1 5 3	0 15 4	1 1 3	0 16 0	0 16 7
All other expenditure ..	3 6 7	2 0 3	2 5 0	3 13 7	4 8 2	1 19 7	2 17 0
Total	16 9 9	12 7 11	16 14 9	15 7 2	22 12 0	10 5 8	15 7 6

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, 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Public debt (interest, sinking fund, etc.)	19.23	23.18	23.28	24.86	29.88	33.78	22.59
Railways and tramways (working expenses)	40.78	41.48	40.08	34.65	35.18	22.25	39.30
Justice	1.40	1.20	1.37	0.86	1.17	0.87	1.27
Police	2.99	3.09	3.78	2.59	2.34	3.63	3.05
Penal establishments	0.33	0.40	0.32	0.44	0.38	0.45	0.36
Education	10.00	9.67	10.19	7.67	6.84	11.99	9.51
Medical and charitable	5.05	4.75	7.54	4.99	4.70	7.77	5.39
All other expenditure	20.22	16.23	13.44	23.94	19.51	19.26	18.53
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 1920-21 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, 1921.**—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 1920-21, so that no State has now a credit balance. The position of the balances of the several Consolidated Revenue Funds on 30th June, 1921, was as follows :—

STATE CONSOLIDATED REVENUE FUND BALANCES, 30th JUNE, 1921.

State.	Debit Balance.		Net Debit Balance.
	Cash Overdraft.	Overdraft liquidated by Treasury Bills.	
	£	£	£
New South Wales	2,249,558	..	2,249,558
Victoria	137,421	1,153,285	1,290,706
Queensland	426,610	..	426,610
South Australia	1,489,923	..	1,489,923
Western Australia .. .. .	..	..	4,773,430
Tasmania	228,719	..	228,719
Total .. .. .	..	..	10,458,946

(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 duties collected in the several States for the financial years 1916–17 to 1920–21 are as follows :—

AMOUNT OF PROBATE AND SUCCESSION DUTIES COLLECTED, 1916–17 TO 1920–21.

State.	1916–17.	1917–18.	1918–19.	1919–20.	1920–21.
	£	£	£	£	£
New South Wales ..	826,769	677,433	575,875	1,062,533	734,352
Victoria.. ..	546,400	506,662	718,194	881,423	702,468
Queensland	146,077	121,986	(a)	(a)	328,204
South Australia ..	134,620	170,185	221,729	192,540	158,107
Western Australia ..	40,963	38,710	40,329	121,951	42,407
Tasmania	37,310	50,688	64,410	50,271	53,407
Total	1,732,139	1,565,664	1,620,537 (b)	2,308,718 (b)	2,018,945

(a) Included in Stamp Duties.

(b) Excluding Queensland.

(b) Stamp Duties.

1. **Revenue.**—The revenue derived by the several States of the Commonwealth from stamp duties for the years 1916–17 to 1920–21 is shewn in the accompanying table :—

**STAMP REVENUE (EXCLUSIVE OF PROBATE AND SUCCESSION DUTIES),
1916–17 TO 1920–21.**

State.	1916–17.	1917–18.	1918–19.	1919–20.	1920–21.
	£	£	£	£	
New South Wales ..	550,211	616,180	687,304	978,343	1,414,468
Victoria.. ..	376,196	507,573	583,818	822,489	930,221
Queensland	175,186	205,674	a387,742	a698,382	332,559
South Australia ..	145,079	179,521	213,130	325,034	370,288
Western Australia ..	67,035	80,720	112,104	173,541	177,404
Tasmania	77,636	96,215	96,949	128,574	148,893
Total	1,391,343	1,685,883	2,081,047	3,126,363	3,373,833

(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 became law, by which the issue of Treasury notes payable on demand was authorized. 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.)

(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 1916–17 to 1920–21 :—

STATE LAND TAX COLLECTIONS, 1916–17 TO 1920–21.

State.	1916–17.	1917–18.	1918–19.	1919–20.	1920–21.
	£	£	£	£	£
New South Wales	3,215	2,921	2,800	2,834	2,717
Victoria	369,486	353,156	324,232	314,217	331,756
Queensland	362,535	344,547	578,253	459,188	469,175
South Australia	139,372	165,469	154,621	146,336	168,020
Western Australia	42,431	63,388	34,182	46,415	57,791
Tasmania	83,595	84,701	86,705	87,785	89,085
Total	1,000,634	1,014,182	1,180,793	1,056,775	1,118,544

(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 1916–17 to 1920–21. 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, 1916-17 TO 1920-21.

State.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
	£	£	£	£	£
New South Wales	1,973,477	2,182,117	2,355,243	2,308,267	4,399,360
Victoria	766,746	773,468	928,210	915,551	1,591,198
Queensland	756,292	967,420	1,677,335	2,023,316	2,410,171
South Australia	264,946	452,303	542,007	662,384	852,001
Western Australia	196,221	207,963	359,623	416,136	579,289
Tasmania	216,278	259,869	261,028	279,476	348,005
Total	4,173,960	4,843,140	6,123,446	6,605,130	10,180,024

§ 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, 1921, was as follows :—

STATE TRUST FUNDS ON 30th JUNE, 1921.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
Amount of trust funds	13,097,856	14,570,400	1,085,030	2,161,721	16,391,200	1,156,359	48,462,566

§ 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, 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, 1920-21.**—During the year ended 30th June, 1921, the actual expenditure of the Australian States from loan funds amounted to £37,178,131, New South Wales with a total of £14,701,028 being the principal contributor to this amount. The expenditure on railways and tramways is a very heavy item, but the main cause of this large expenditure is the settlement of returned soldiers upon the land. Details for the year for each State are given in the following table :—

STATE LOAN EXPENDITURE, 1920-21.

Heads of Expenditure.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways ..	4,025,038	1,685,329	1,780,158	252,097	180,143	254,079	8,176,844
Water supply and sewerage ..	2,854,495	692,659	119,654	1,115,083	213,608	..	4,995,499
Harbours, rivers, etc. }	673,418	966,130	..	398,467	150,454	137,509	2,325,978
Roads and bridges ..	179,502	96,352	291,267	40,826	24,963	65,877	698,787
Public buildings ..	..	(a)	7	..	43,902	..	43,895
Development of mines, etc. ..	1,662,038	85,057	..	..	183,523	92,260	2,022,878
Advances to settlers ..	2,758,000	6,894,557	1,017,534	15,344	1,527,664	1,146,985	13,360,084
Land purchases for settlement ..	(a) 3,687	..	845,307	..	..	17,363	858,983
Loans to local bodies ..	43,568	..	1,204	..	328	..	45,100
Rabbit-proof fences ..	..	..	..	..	..	..	..
Other public works and purposes ..	2,508,656	675,081	196,124	5,024	261,819	1,003,379	4,650,083
Total ..	14,701,028	11,095,158	4,251,248	1,826,841	2,586,404	2,717,452	37,178,131

(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, 1921, has amounted to no less a sum than £458,520,093. 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, 1921.

Heads of Expenditure.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Railways and tramways ..	97,061,118	58,218,422	44,568,670	21,451,931	18,258,224	5,851,065	245,409,430
Telegraphs and telephones ..	1,761,845	..	996,587	991,773	..	..	3,750,205
Water supply and sewerage ..	30,860,201	14,066,392	1,558,588	11,806,514	5,192,552	62,545	63,546,792
Harbours, rivers, etc. }	19,367,138	4,457,449	3,351,758	6,035,733	4,344,407	5,195,375	42,751,860
Roads and bridges ..	..	..	..	..	..	..	..
Defence ..	1,457,536	149,323	363,084	291,615	..	128,224	2,389,782
Public buildings ..	6,189,501	2,524,930	2,597,283	1,666,124	854,199	1,363,991	15,196,028
Immigration ..	569,930	..	2,763,070	..	412,540	235,000	3,980,540
Development of mines, etc. ..	..	510,638	..	5,111	1,821,303	..	2,337,052
Advances to settlers ..	1,748,299	1,032,363	..	2,227,844	3,069,942	191,498	8,269,946
Land purchases for settlement ..	4,247,000	18,563,199	2,102,487	1,992,214	4,083,417	2,723,734	33,717,051
Loans to local bodies ..	(a) 12,798	..	7,031,592	..	64,492	1,251,385	8,334,671
Rabbit-proof fences ..	122,417	..	..	221,294	342,012	..	685,723
Other public works and purposes ..	7,904,785	6,885,992	2,383,898	3,686,390	4,571,866	2,718,082	28,151,013
Total ..	171,276,972	106,413,708	67,717,017	50,376,543	43,014,954	19,720,899	458,520,093

(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. The following table gives for each State the percentage of each item on the total loan expenditure of that State to 30th June, 1921 :—

PERCENTAGE OF EACH ITEM ON TOTAL LOAN EXPENDITURE OF THE STATES TO 30th JUNE, 1921.

Heads of Expenditure.	N.S.W.	Vic.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	%	%	%	%	%	%	%
Railways and tramways ..	56.67	54.71	65.82	42.58	42.45	29.67	53.52
Telegraphs and telephones ..	1.03	..	1.47	1.97	..	..	0.82
Water supply and sewerage ..	18.01	13.22	2.28	23.44	12.01	0.32	13.86
Harbours, rivers, etc. }	11.31	4.19	4.95	11.98	10.10	26.34	9.32
Roads and bridges }							
Defence ..	0.85	0.14	0.54	0.58	..	0.65	0.52
Public buildings ..	3.61	2.37	3.83	3.30	1.98	6.92	3.31
Immigration ..	0.33	..	4.08	..	0.96	1.19	0.87
Development of mines, etc.	..	0.48	..	0.01	4.29	..	0.51
Advances to settlers ..	1.02	0.97	..	4.42	7.14	0.97	1.81
Land purchases for settlement	2.48	17.45	3.13	3.96	9.49	13.81	7.35
Loans to local bodies ..	..	..	10.38	..	0.15	6.35	1.82
Rabbit-proof fences ..	0.07	..	..	0.44	0.80	..	0.15
Other public works and purposes ..	4.62	6.47	3.52	7.32	10.63	13.78	6.14
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 1916–17 to 1920–21 :—

STATE LOAN EXPENDITURE, 1916–17 TO 1920–21.

Year.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
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
1919–20..	8,794,905	7,601,266	4,797,865	3,446,617	2,663,319	1,375,960	28,679,932
1920–21..	14,701,028	11,095,158	4,251,248	1,826,841	2,586,404	2,717,452	37,178,131

Throughout the five years under review the loan expenditure of New South Wales exceeded that of any other of the States, and for many years has represented on the average between 30 and 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 Tasmania in 1920–21 with £12 5s. 11d. per head, and

its lowest in Victoria in 1917-18 with 27s. 3d. per head. Particulars concerning the loan expenditure per head for the five years 1916-17 to 1920-21 are given hereunder :—

STATE LOAN EXPENDITURE PER HEAD, 1916-17 TO 1920-21.

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.
1916-17 ..	3 12 10	1 14 9	3 6 11	4 2 0	2 15 9	2 8 8	2 19 10
1917-18 ..	2 6 9	1 7 3	2 13 2	3 11 0	3 8 9	2 12 5	2 5 9
1918-19 ..	2 0 0	2 0 10	3 17 7	4 7 8	3 7 9	2 16 8	2 12 0
1919-20 ..	4 6 4	5 1 2	6 11 0	7 3 2	8 2 8	6 11 1	5 11 11
1920-21 ..	7 0 7	7 5 2	5 13 0	3 14 4	7 16 4	12 5 11	6 17 4

§ 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 County and Westminster Bank. 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, 1921.

State.	Debentures.	Inscribed Stock.	Treasury Bills.		Total Amount Outstanding.
			For Public Works and Services.	In aid of Revenue.	
	£	£	£	£	£
New South Wales	13,797,480	140,319,912	10,219,100	..	(a) 164,336,492
Victoria ..	33,502,127	60,062,419	2,600,000	1,153,285	97,317,831
Queensland ..	24,533,799	48,171,176	1,000,000	1,379,350	(b) 80,382,052
South Australia	..	41,213,302	7,343,250	..	(a) 48,556,552
Western Australia	1,339,653	35,964,841	5,346,940	2,866,415	(c) 49,039,667
Tasmania	2,170,354	15,605,952	1,000,000	..	8,776,306
Total ..	75,343,413	341,337,602	27,509,290	5,399,050	(a), (b) 458,408,900

(a) Exclusive of loans from the Commonwealth Government in respect of soldier land settlement and reserve employment, which amount to £6,257,009 for New South Wales, and £2,363,836 for South Australia.

(b) Including advance of £5,297,727 from Commonwealth Government.

(c) Including advance of £3,521,818 from Commonwealth Government.

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, 1916-17 TO 1920-21.

Date.	Debentures.	Inscribed Stock.	Treasury Bills.		Total Amount Outstanding.
			For Public Works and Services.	In aid of Revenue.	
	£	£	£	£	£
30th June, 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
" 1920 ..	72,244,575	308,896,687	28,202,945	4,146,790	(b) 417,309,772
" 1921 ..	75,343,413	341,337,602	27,509,290	5,399,050	(c) 458,408,900

(a) Including Queensland loan of £1,054,035 not represented by securities.

(b) Including Queensland and West Australian loans of £3,818,775 not represented by securities.

(c) Including £8,819,545 not represented by securities.

During the period between 30th June, 1917, and 30th June, 1921, the public debt of the States increased by £85,891,276, or at the rate of about £21,500,000 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, 1917 TO 1921.

Date.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
	£	£	£	£	£	£	£
30th June, 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
" 1920 ..	152,776,082	87,647,739	69,680,764	43,753,146	46,822,003	16,630,038	417,309,772
" 1921 ..	164,336,492	97,317,831	80,382,052	48,556,552	49,039,667	18,776,306	458,408,900

The State in which the greatest increase in indebtedness was experienced during the period is New South Wales, which added £26,198,145 during the period under review. 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, 1917, to 30th June, 1921, are as follows :—

PUBLIC DEBT OF AUSTRALIAN STATES PER HEAD, 30th JUNE, 1917 TO 1921.

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, 1917 ..	72 11 6	55 6 11	89 14 8	89 0 8	133 14 0	75 10 8	74 0 3
" 1918 ..	78 11 7	55 17 9	89 2 5	89 19 4	137 8 7	76 7 0	76 12 0
" 1919 ..	73 12 3	55 13 8	90 10 0	91 0 10	136 11 4	74 10 6	74 16 8
" 1920 ..	73 18 2	57 19 1	93 4 4	89 17 8	142 1 7	79 0 5	76 9 0
" 1921 ..	78 4 1	63 7 2	104 8 1	97 11 11	147 4 3	88 11 6	81 11 11

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 favorable 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, 1921, which had been floated in London and Australia respectively :—

PUBLIC DEBT OF AUSTRALIAN STATES, 30th JUNE, 1921.

State.	Floated in London.		Floated in Australia.		Total Public Debt.
	Amount.	Percentage on Total Debt.	Amount.	Percentage on Total Debt.	
	£	%	£	%	£
New South Wales ..	108,417,602	65.97	55,918,890	34.03	164,336,492
Victoria ..	38,709,050	39.78	58,608,781	60.22	97,317,831
Queensland ..	55,318,847	63.82	25,063,205	31.18	80,382,052
South Australia ..	25,752,878	53.04	22,803,674	46.96	48,556,552
Western Australia ..	32,168,253	65.59	16,871,414	34.41	49,039,667
Tasmania ..	9,711,340	51.72	9,064,966	48.28	18,776,306
Total ..	270,077,970	58.92	188,330,930	41.08	458,408,900

The following table, giving corresponding particulars for the aggregate indebtedness of the Australian States at the end of each of the financial years 1916-17 to 1920-21, 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, 1917 TO 1921.

Date.	Floated in London.		Floated in Australia.		Total Public Debt.
	Amount.	Percentage on Total Debt.	Amount.	Percentage on Total Debt.	
	£	%	£	%	£
30th June, 1917 ..	243,735,172	65.43	128,782,452	34.57	372,517,624
„ 1918 ..	261,107,693	66.52	131,432,478	33.48	392,540,161
„ 1919 ..	258,200,003	65.14	138,156,146	34.86	396,356,149
„ 1920 ..	263,412,174	63.12	153,897,598	36.88	417,309,772
„ 1921 ..	270,077,970	58.92	188,330,930	41.08	458,408,900

It will be seen that in the course of five years the London indebtedness of the States has increased by £26,342,798, while the local indebtedness has increased by £59,548,478. In other words, the Australian proportion had on 30th June, 1921, grown to more than two-fifths.

It will be noticed in the foregoing table that the Australian indebtedness of the States increased during the year 1920-21 to a figure absolutely higher than had ever before been attained. This is due in the main to the loans from the Commonwealth Government, which has either advanced money to the States outright, or acted as agent for the States in obtaining loans from London. The money so obtained has been largely spent in settling returned soldiers on the land, constructing silos for wheat storage, and providing reserve employment.

6. Rates of Interest.—As mentioned above, the highest rate of interest paid in connexion 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 rates of interest on State debts vary from $7\frac{1}{2}$ per cent. down to 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 $5\frac{1}{2}$ per cent. The average rate payable on the aggregate indebtedness of the Australian States is about $4\frac{1}{2}$ 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 New South Wales: the difference between these two average rates is about $\frac{1}{2}$ 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, 1921:—

RATES OF INTEREST PAYABLE ON PUBLIC DEBT OF STATES, 30th JUNE, 1921.

Rate of Interest.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	All States.
%	£	£	£	£	£	£	£
$7\frac{1}{2}$ ..	..	..	1,000,000	..	..	100,090	100,090
7 ..	..	..	2,036,340	3,000,000	..	438,039	1,000,000
$6\frac{1}{2}$..	6,500,000	..	..	..	..	1,010,320	11,972,379
$6\frac{1}{4}$ ..	..	10,162,483	2,414,700	1,945,572	3,246,478	1,050,188	11,172,803
6 ..	..	1,069,100	..	..	1,500,000	85,776	9,726,038
$5\frac{1}{2}$..	18,076,000	510,000	4,189,500	9,226,393	3,050,500	867,000	20,171,776
$5\frac{1}{4}$..	18,574,475	11,326,850	1,275,000	881,100	1,435,000	1,631,809	47,234,718
$5\frac{1}{2}$..	16,080,029	(a) 3,415,069	327,100	5,106,558	428,060	1,636,455	29,718,007
5 ..	6,622,082	4,284,397	..	500,000	..	..	18,404,652
$4\frac{1}{2}$ ..	..	6,082,390	14,040,450	1,589,854	2,257,453	379,816	6,582,390
$4\frac{1}{4}$..	5,977,184	2,910,075	..	..	..	140,750	27,154,832
$4\frac{1}{2}$ ..	..	696,260	..	2,600,000	3,100,000	1,000,000	837,010
$4\frac{1}{4}$..	7,400,000	3,900,000	..	7,245,698	12,704,686	4,695,430	18,000,000
4 ..	28,143,540	9,492,127	21,702,149	4,633,660	1,650,000	311,501	83,983,630
$3\frac{1}{2}$..	2,644,960	229,683	2,550,050	5,900,435	12,317,490	4,952,346	12,019,854
$3\frac{1}{4}$..	37,265,315	27,977,932	21,458,388	5,927,282	7,350,000	478,786	109,871,906
3 ..	17,047,072	9,895,707	5,489,383	..	..	..	46,188,230
Not bearing interest ..	5.835	1,000	600	..	..	..	7,435
Total ..	164,336,492	(b) 97,317,831	(c) 30,382,052	48,556,552	49,039,667	18,776,306	458,408,900 (b) (c)

(a) Including £3,563,724 at £5 6s. 11d. and £1,644,915 at £5 5s. 3d. (b) Including £364,758 not fixed.
(c) Including £3,898,392 not fixed.

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 shewn 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 1917 to 1921:—

RATES OF INTEREST PAYABLE ON PUBLIC DEBT OF STATES, 30th JUNE, 1917 TO 1921.

Rate of Interest.	30th June, 1917.	30th June, 1918.	30th June, 1919.	30th June, 1920.	30th June, 1921.
%	£	£	£	£	£
7½ .. .. .	..	..	..	..	100,090
7 .. .. .	..	..	..	..	1,000,000
6½ .. .. .	..	..	..	..	11,972,379
6 .. .. .	..	..	..	..	11,172,803
6	19,900	1,900	..	2,241,800	9,726,038
5½ .. .. .	..	13,076,000	16,076,000	19,576,000	20,171,776
5½	5,590,000	10,180,000	20,924,002	35,333,489	47,234,718
5½	6,695,400	6,695,400	8,462,694	23,220,443	29,718,007
5	14,753,617	17,582,034	18,100,129	20,692,892	18,404,652
4½ .. .. .	..	..	7,158,860	7,368,597	6,582,390
4½	32,845,044	37,746,932	33,557,543	23,277,650	27,154,832
4½ .. .. .	..	400,000	350,000	..	..
4½	901,000	801,000	646,250	640,750	837,010
4½	18,000,000	18,000,000	18,000,000	18,000,000	18,000,000
4	95,382,445	93,220,106	92,321,823	87,383,636	83,983,630
4	24,714,487	24,376,838	23,834,798	12,654,252	12,019,854
3½	127,146,373	124,075,299	110,222,724	109,989,876	109,871,906
3½	24,718	24,718	24,718	24,718	24,718
3	46,425,623	46,351,684	46,415,173	46,245,134	46,163,512
Not bearing interest ..	19,017	8,250	261,435	38,255	7,435
Total	372,517,624	392,540,161	396,356,149	417,309,772	458,408,900
Average rate	£3/16/6	£3/18/6	£4/0/3	£4/3/4	£4/5/9

The increase of the average rate of interest 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, 1921, 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 1920-21.

Particulars.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tas.	All States.
	£	£	£	£	£	£	£
Total annual interest paid	6,601,894	3,811,245	(a) 2,930,703	1,851,288	1,913,628	642,457	17,751,215
Annual interest paid per head	£3/3/10	£2/10/5	£3/18/5	£3/16/1	£5/16/2	£3/1/1	£3/6/3

(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 unfavorable time, several of the States have 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, 1921, 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, 1921.

Due Dates.	N.S.W.	Victoria.	Q'land.	S. Aust.	W. Aust.	Tasmania.	Total.
	£	£	£	£	£	£	£
Overdue ..	5,835	1,000	600				7,435
1921 ..	5,235,543	3,823,040	49,400	1,004,264	168,825	728,738	11,009,900
1922 ..	9,433,900	12,710,125	3,955,730	3,685,762	2,066,960	686,966	32,539,443
1923 ..	9,125,386	17,189,789	98,980	3,366,658	1,017,810	605,515	31,404,138
1924 ..	29,651,550	4,517,437	13,259,614	3,498,773	858,930	482,664	52,268,958
1925 ..	3,990,794	9,490,463	12,098,480	3,116,626		1,726,540	30,422,903
1926 ..	415,000	5,239,560	912,280	2,550,468	1,922,305	528,526	11,574,139
1927 ..	15,633,626	2,055,450	4,441,730	2,575,681	5,550,500	1,118,170	31,375,157
1928 ..	36,000	965,825	546,080	1,026,778		590,628	3,165,311
1929 ..	169,040	827,361	192,080	221,618		470,454	1,880,553
1930 ..	2,799,420	1,944,800	4,200,480	302,675		108,315	9,355,690
1931 ..		1,345,288	98,980	1,225		80,049	1,524,767
1932 ..	13,076,000	929,550	98,980		1,380,540	19,559	15,505,854
1933 ..	9,686,300		98,980	368,912	716,708	20,831	10,891,731
1934 ..	3,000,000	3,000,000	98,980	1,043,421	1,866,318	21,134	9,029,853
1935 ..	17,500,000		98,980	1,478,499	8,408,185	164,718	27,650,382
1936 ..		300,000	2,135,320	4,250,380	1,240,000	23,337	7,949,037
1937 ..			98,980	15,586		34,084	148,650
1938 ..			98,980	92,383	548,765	24,678	764,806
1939 ..			98,980	2,569,499	106,603	25,655	2,800,737
1940 ..	6,500,000	248,900	2,098,980	3,014,860	1,500,000	5,696,291	19,059,031
1941 ..		324,380	561,280			28,023	913,688
1942 ..		485,100	113,980			28,824	627,904
1943 ..		3,600	98,980			29,968	132,548
1944 ..		400	98,980			31,156	130,536
1945 ..			6,327,770			32,390	6,360,160
1946 ..		217,400	98,980			53,675	370,055
1947 ..			4,597,673		2,000,000	55,010	6,652,683
1948 ..			98,980			28,708	127,688
1949 ..		11,699,471	98,980			28,396	11,826,847
1950 ..	12,250,000		7,045,580			2,829,469	22,125,049
1951 ..			1,098,580			30,584	1,129,164
1952 ..			98,980			31,740	130,720
1953 ..			2,246,789			32,460	2,279,249
1954 ..		123,874	98,980			17,195	240,409
1955 ..			98,980		4,437,000	17,803	4,553,783
1956 ..			98,980			12,249	111,229
1957 ..			98,980				98,980
1958 ..			98,980				98,980
1959 ..			98,980				98,980
1960 ..		2,979,700	2,098,980	3,000,000	1,000,000		9,078,680
1961 ..			98,980				98,980
1962 ..	10,500,000		98,980		6,000,000		16,598,980
1963 ..			98,980				98,980
1964 ..			98,980		1,566,000		1,664,980
1965 ..			98,980				98,980
1966 ..			98,980				98,980
1967 ..			98,980				98,980
1968 ..			98,980				98,980
1969 ..			93,980				98,980
1970 ..			2,098,980				2,098,980
1971 ..			98,980				98,980
1972 ..			98,980				98,980
1973 ..			98,980				98,980
1974 ..			98,980				98,980
1975 ..			98,980				98,980
1976 ..			49,549				49,549
Interminable ..	532,890						532,890
Annual drawings ..					62,400		62,400
Indefinite ..	14,795,208	16,895,318	6,787,727	11,366,034	6,621,818	2,331,809	58,797,914
Total ..	164,336,492	97,317,831	80,382,052	48,556,552	49,039,667	18,776,306	458,408,900

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 connexion 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, 1921 :—

STATE SINKING FUNDS AND NET INDEBTEDNESS, 30th JUNE, 1921.

State.	Gross Indebtedness.	Sinking Fund.	Net Indebtedness.	Net Indebtedness per Head.
	£	£	£	£ s. d.
New South Wales ..	164,336,492	409,988	163,926,504	78 0 2
Victoria ..	97,317,831	2,579,019	94,738,812	61 13 7
Queensland ..	80,382,052	376,899	80,005,153	104 0 10
South Australia ..	48,556,552	1,438,415	47,118,137	94 14 1
Western Australia ..	49,039,667	7,641,564	41,398,103	124 7 6
Tasmania ..	18,776,306	815,835	17,960,471	84 14 6
Total ..	458,408,900	13,261,720	445,147,180	81 11 11

10. **Total Public Debt, Commonwealth and States.**—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 advances made by the Commonwealth to the States, exclusive of the advance from the proceeds of the note issue.

PUBLIC DEBT OF AUSTRALIA FOR FIVE YEARS, 1916-17 TO 1920-21.

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.
	£	£	£	£	£	£
1917..	169,229,557	372,517,624	541,747,181	18,289,739	523,457,442	106 8 10
1918..	284,055,069	392,540,161	676,595,230	23,202,515	653,392,715	131 2 7
1919..	325,770,747	396,356,149	722,126,896	27,952,619	694,174,277	136 12 1
1920..	381,309,905	417,309,772	798,619,677	28,190,462	770,429,215	145 4 10
1921..	401,720,024	458,408,900	860,128,924	47,577,231	812,551,693	148 17 0

On pages 671 to 674 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.

11. **Commonwealth and State Taxation Acts.**—A review in summarized form of the legislation dealing with these matters appeared in Official Year Book No. 14, pp. 722-45. Limits of space preclude its repetition in the present issue.