Name: *Our First Half-Century, 1909*

**Section name:** Part 2, Chapter 3, Public Finance (1884–1893)

**Pages:** 39–42

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CHAPTER III.

PUBLIC FINANCE (1884-1893).

The Ten-million Loan.—Ministers Practically Granted Control of Five Years' Loan Money.—Vigorous Railway Policy.—Effect of Over-spending.—Inflation of Values.—Increased Taxation.—Succession of Deficits.—Second McLwraith Ministry.—A Protectionist Tariff.—Temporary Increase of Revenue.—Heavy Contraction in 1890.—Another Big Loan; Failure of Flotation.—The First Underwritten Australian Loan.—Amended Audit Act Limiting Spending Power of Government.

At the end of 1883 the Griffith Ministry succeeded to office with a strong following. It was early in March, 1884, that the Appropriation and Loan Acts for 1883-4 became law, but the regular session of the year did not begin until 7th July. It was in this session that the Government introduced their colossal railway extension scheme, and their famous "Ten-million Loan Act"—actually, however, the amount was £9,980,000. This sum was to be spent during the following five years, which meant that the members of the Assembly voted in a lump sum, and on an unprecedented scale, the loan expenditure for the maximum term of the Parliament. The effect was also to ensure the life of the Ministry for the same term, as it was intended to expend about 2 millions sterling a year, or about £6 10s. per annum per head of the population. This was equal to about three-fourths of the total consolidated revenue for 1884.

The Ministry no doubt meant well, and their preparation of a schedule of works to extend over five years was in the abstract commendable. But the expenditure of so much loan money provoked inflation in values, and led to unhealthy speculation in land. Although Ministers did not in any one year quite reach their 2-million conventional limit of loan outlay, the 10 millions were exhausted soon after their retirement from office, and a further loan had to be authorised to finish their uncompleted works. While such railways as the "Via Recta" (Ipswich to Warwick) and the Cloncurry to the Gulf lines were both on the 1884 loan schedule—the amount set down for each being £500,000—they have never been even commenced to this day, a quarter of a century since they were passed by the Assembly. Other lines then authorised absorbed more than the amount voted, and necessarily had afterwards to be completed to make them reproductive.
The revenue not proving as expansive as the necessities of the Treasury required, an Act passed in 1885 imposed 5 per cent. ad valorem duties upon most kinds of industrial machinery, increased the spirit duties to 12s. per gallon, and levied upon log and undressed timber a duty of 1s. per 100 feet superficial and upon dressed timber of 1s. 6d. per 100 feet. In the following year the ad valorem duties were increased to 7½ per cent., except as to machinery, which remained at 5 per cent.; but small levies like these were as drops in the bucket by comparison with the constantly expanding needs of the Treasurer.

The 10-million loan schedule did not exhaust the list of what were deemed necessary works. In 1886 a special Act was passed appropriating £123,000, to be raised by Treasury bills having a term of five years, for the duplication of the Brisbane-Ipswich railway, and the completion of the lines from Mackay to Eton and Hamilton, and from Ravenswood Junction to Ravenswood, respectively. In the year following an Act was passed authorising the issue of further Treasury bills amounting to £349,834 for the construction of eight small lines, and the extension of the Brisbane and Southport line, with a branch to Beaudesert, thus bringing the railways and works loan schedule of the Griffith Ministry up to £10,452,834.

By the advent of the financial year 1888-9, most intelligent public men felt gravely disturbed. The bank deposits, which had been trebled in a decade, had to earn interest on the additional 7 millions of money held and advanced. When the Griffith Ministry retired from office in June, 1888, they had recorded four successive annual deficits aggregating £968,313, although between 1884-5 and 1887-8 the revenue had increased by £456,861, and there had been spent over 1½ millions of loan money per annum in addition. During the year 1888-9, after Sir Thomas McIlwraith assumed office, the expenditure increased by £128,922, but he obtained a revenue increase of about £437,000. This increase chiefly arose from the heavier duties levied under the protectionist Customs tariff of 1888; but in 1889-90 there was an almost equivalent shrinkage in both Customs and total revenue. Bad times partly accounted for the subsequent inelasticity of Customs receipts, for not until 1895-6 were the total revenue figures of 1888-9 again touched.

The year 1889-90 was characterised by a deficit of £483,979, for the drop of £402,857 in revenue and the increase of £197,969 in expenditure dislocated the finances, and caused the retirement of the Morehead Government after an ineffectual attempt to impose a general tax of 5 per cent. on all property, both real and personal. The coalition Griffith-
McIlwraith Administration followed, but could not in such a time of value shrinkages materially increase revenue, while expenditure was thought to be irreducible. Despite a Loan Act for 1½ millions passed in 1888-9, to provide for works temporarily met by floating Treasury bills during the two preceding years, another large loan was authorised in 1890, its total being nearly 3¾ millions sterling. This money was needed to retire debentures maturing on 1st July, 1891, amounting to £1,170,950, and no less than £422,850 deficiency loss on the loans of 1882, 1884, and 1889, thus leaving little more than 2 millions for railway and harbour works. This 3¾ million Loan Act did not receive the Royal assent until December, 1890, and the stock was issued a few months later at a most unfortunate time. The monetary tension which culminated in 1893 was already felt in the London market, and the credit of Queensland had become much impaired by the fact that during the preceding decade (1880-81 to 1889-90) the colony's obligations had increased by £16,706,834, bringing the funded public debt up to £28,105,684—nearly £70 per head of the population—while railway net earnings were steadily dwindling.

The cable soon flashed the unwelcome news that only £1,554,834 was subscribed. After some difficulty a Stock Exchange syndicate was formed to underwrite £1,182,400 of the balance, the price realised for the whole amount taken up averaging £87 6s. 1d. per £100 of 3½ per cent. stock. Thus the net proceeds of the loan of £3,704,800 were only £3,234,376, a depreciation loss of £470,424. The interest charge on this new loan was £129,668; so that the interest, while nominally 3½ per cent., was really just 4 per cent. on the money received, and, in addition, at due date (1930), £470,424 depreciation will have to be made good. But the tragedy did not end there, for the money borrowed, or the greater part of it, had not reached the Treasury in 1893, but ranked among the "suspended bank deposits" which then paralysed both Government and private depositors.

That the time chosen for going on the money market was not opportune may be gathered from the fact that in 1889 Queensland 3½ per cent. stock had brought £96 os. 11d. per £100, and in 1894—three years after the forced sale at £87 6s. 1d. in 1891—an issue of our stock of the same denomination brought £98 14s. 0¼d. per £100. It may be noted that the Queensland loan of 1890-91 was the first underwritten Government loan issued by an Australian colony, though since that time all Government loans have been underwritten. Heavy as our sacrifice in 1891 may have been, it was infinitely less disastrous than making default must have proved; and perhaps after all the experience gained was worth its cost,
for, although the colony staggered under the blow, its progress was checked only for the time.

In 1890 an amending Audit Act was passed—Sir Thomas McIlwraith being then Treasurer—section 4 of which made the important provision that it should not be lawful for the Colonial Treasurer to expend any moneys standing to the credit of the Loan Fund Account except under the authority of an annual or special Appropriation Act, in like manner as moneys were expended out of the Consolidated Revenue Fund for the current expenses of government. By section 6 it was provided that, when it was necessary to expend for any work money in excess of the appropriation, then, if such sum were included in any Appropriation Act, the Governor in Council might authorise the additional expenditure from the Loan Fund. By section 8, annual Loan Estimates, specifying the nature of the work proposed, were to be submitted, as in the case of the Estimates of ordinary expenditure. This Act was passed to avoid the evil of placing large amounts of borrowed money at the uncontrolled disposal of the Ministry of the day.