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Pages: 43–45

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CHAPTER IV.

PUBLIC FINANCE (1893-1898).

Sir Hugh Nelson at the Treasury.—Credit of Colony Restored.—Assistance to Financial Institutions and Primary Industries.—Savings Bank Stock Act.—Public Debt Reduction Fund.—Treasurer's Cautious and Prudent Administration.—Money Obtained in London at a Record Price.

When the banking crisis occurred in 1893, Mr. (afterwards Sir) Hugh Nelson, who had previously held office with distinction as Railway Minister for about two years, reluctantly took charge of the embarrassed Treasury. Entering Parliament after the general election in 1883, he had from the first given evidence of more than common knowledge of public finance. Mr. Nelson was an exceedingly modest man, and an indifferent public speaker at best; but he possessed courage, thoroughness, and scholarly knowledge. In public matters he always aimed at taking the line of least resistance; but knowing what he knew in March, 1893, his assumption of office as Treasurer must be regarded as an act of heroism dictated by regard for the public welfare. Quietly and unobtrusively he worked, refusing all invitations to appear on public platforms, and while affecting contempt for politicians who constantly apostrophised "the people," he determined to set the affairs of the colony straight. Revenue at that time had almost touched bottom, and was very inelastic; and Mr. Nelson followed the example of his immediate predecessor in keeping a tight hand upon expenditure. For 1892-3 there had been a reduction of outlay of about £70,000 only, as compared with the preceding year, the June deficit having been reduced to £111,676; but in the next year he realised rather less revenue, yet reduced expenditure by £206,000, closing the year with a small deficit of £8,467. As this was the time in which most commercial and financial disaster was suffered from the crisis, this economy was a feat worth accomplishing, although the drastic reduction of expenditure tended to aggravate the crisis by delaying the restoration of confidence. After 1893-4 followed six surpluses.

In the midst of the bank reconstructions of 1893 there had been a general election, and Parliament met on 25th May. Between then and 18th October, 1893, Mr. Nelson, as Treasurer in the McIlwraith Ministry,
passed those financial measures which were the greatest achievements of his career. An unpopular measure was his Civil Service Special Retrenchment Act, but it was imperative, and civil servants were indeed fortunate, when so large a number of their friends in private life were left destitute, in being able to draw their diminished salaries month by month. The Queensland National Bank Limited Agreement Act enabled that institution to resume business, though the public sacrifice was great. Acts were also passed for encouraging meat and dairy works; for advancing guaranteed loans by the Treasury to sugar works companies; for Treasury advances upon the notes of suspended joint stock banks; for the issue of Treasury notes, made legal tender throughout the colony save by the Treasury; and for the imposition of a yearly tax of 10 per cent. on notes issued by banks. In the same session was passed an Act for giving relief to public depositors, such as treasurers of hospitals and other public institutions, by making Treasury advances upon the amount of their locked-up deposits.

Another important measure of this period was the Government Savings Bank Stock Act of 1894, under which any savings bank depositor may exchange his deposit for £10, or any multiple thereof, of Government stock redeemable in 1945, and bearing not more than 3½ per cent. interest. In 1897 the amount of such stock issuable was increased from £1,000,000 to £2,000,000. The object of this measure was to give depositors the opportunity of making investments in small amounts of Government stock, for which there would always be a buoyant market in the event of cash being required; and also to safeguard the Treasury by reducing the amount of money held on account of savings bank deposits repayable at call. In 1897 the total deposits did not exceed 2½ millions; to-day they total over 5 millions. It is therefore satisfactory to note that the Treasurer (Mr. Hawthorn) early in the current year made arrangements for enlarging the sale of savings bank stock in the manner intended by the author of the Act.

In 1895 Mr. Nelson passed the amended Audit Act under which, if it appears by the Treasurer's annual statement that there is a surplus of receipts for any financial year, the money shall, before the 31st day of December following, be paid to the trustees of the Public Debt Reduction Fund created by the Act, and by them applied, first to the purchase of Treasury bills, and then to the purchase of inscribed stock at the current market price, stock so purchased to be cancelled. As a Treasurer with a deficit is bound to make provision for its liquidation at the end of a financial year, the effect of the Act has been to start every year with a
clean sheet. By this practice an ingenious Treasurer is deprived of the opportunity of juggling with accumulated surpluses.

In April, 1898, when Sir Hugh Nelson retired from active politics, he had just completed five years’ service as Treasurer. During that time he had gone to the London money market only twice, and had issued stock to the amount of only 3½ millions. Of that sum, moreover, the 2 millions asked for in 1894 was for retiring Treasury bills, and for the liquidation of the deficit on account of previously issued loans. In 1896 the Loan Act totalled £2,324,480, though it was not all placed by Sir Hugh Nelson. It provided for further railway extensions, and included half a million sterling for loans in terms of the Local Works Loans Act under the Sugar Works Guarantee Act; £600,000 was applied to the purchase at par of savings bank stock for cancellation, only 1½ millions being placed on the London market. Of these two loans issued subsequent to the 1893 crisis, the first, bearing 3½ per cent. interest, realised £98 14s. 0½d. net per £100 of stock, and the other, floated in 1897, bearing 3 per cent., brought £95 15s. 10¾d., the record price for money obtained by the issue of Queensland Government stock in London.