Name: *Our First Half-Century, 1909*

Section name: Part 2, Chapter 5, Public Finance (1998–1903)

Pages: 46–48

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CHAPTER V.

PUBLIC FINANCE (1898-1903).

The Philip Ministry.—Large Surplus.—Loan Acts for Seven and a-half Millions Sterling.—Drought Disasters and Sacrifices for Federation.—Accumulated Revenue Deficits of over £1,000,000.—Rebuff on London Stock Exchange.—Resignation of Philip Ministry.

When Mr. Philip took charge of the Treasury in March, 1898, the credit of the colony appeared to have been fully restored. True, the funded public debt had grown to 33½ millions, but the population had also increased to 484,700, so that the public debt proper was slightly more than £69 per head. The year 1897-8 closed with the small surplus of £20,724 at the Treasury, and revenue was steadily improving. In June, 1899, Mr. Philip had the largest surplus realised for seventeen years, nearly £150,000, but then an era of drought began. Still revenue continued to advance until the establishment of federation in 1901, when financial trouble was accentuated. The year 1899-1900 had shown a small surplus of £47,789, to be followed by three successive deficits aggregating £1,151,469. Mr. Philip, an old colonist, an experienced business man, and with a full knowledge of its varied resources, had unbounded confidence in the future of the State. Soon after he became Premier at the close of 1899, he essayed a bold public works policy, and during his first three years of office he induced Parliament to sanction the borrowing of nearly 7½ millions sterling. But he did not issue the whole of the last 2½ millions. Owing principally to the South African war, colonial stocks were not high in favour in 1900, and the Queensland Government, acting on the best advice, decided to call for tenders for the £1,400,000 of 3 per cent. stock placed on the English money market in July of that year. The loan only realised £91 5s. 1½d. per cent., about the same price that was obtained by New South Wales and West Australia in the same year. Of the balance of the loan, £900,000 was taken up in Queensland by the trustees of the Government Savings Bank at £97 per cent., and £46,600, sold locally and bearing 3½ per cent. interest, realised £99 10s. 8½d. net, the local market not being affected by the adverse influences and the choice of investments which operated in London. In October, 1901, for £1,374,213 offered in London at 3 per cent., the extremely low price of £88 12s. 4d. was obtained; and in 1903, when the then Treasurer (Mr. T. B. Cribb) again sought to enter the London market with 3½ per cent. stock, he could only place £750,000 worth at the low rate of £92 19s. 11½d. Times had indeed changed, and for the moment the State was practically excluded from the London money market. The balance of the loan has been, and is being, issued in Queensland, about £456,000 being still unsold.

The year 1899-1900, from the revenue standpoint, was the record year of the century. Wool brought extremely high prices in London, and loan expenditure had been maintained during the previous two years at an average of a little over £1,000,000 per annum. For the next year, one-half of which was subsequent to the proclamation of the Commonwealth, revenue showed a decline of nearly half a million sterling, although loan outlay had been increased rather than lessened. Two reasons could be assigned for this shrinkage—a bad season in the West, and the dislocation of accounts resulting from federation. Still, in 1899-1900, the expenditure from revenue was fully maintained, with the result that on 30th June, 1901, the deficit exceeded half a million.

In the next year, 1901-2, there was a further decline of about half a million in revenue, arising (1) from one-fourth of the State's Customs revenue and the whole of its postal revenue being retained by the Commonwealth, and (2) from the sparse rainfall and the heavy drop in London wool prices. Thus, although the apparent expenditure showed a decline of about £650,000 due to the cost of the transferred departments being defrayed by the Commonwealth, the financial year ended with a deficit of £431,940. The year 1902 was the most disastrous with respect to rainfall that Australia ever experienced, and the drought struck Queensland with cruel intensity. The revenue of 1902-3 was maintained at nearly the level of the previous year, good rains having fallen early in 1903, while the expenditure was cut down by about a quarter of a million; yet there was a further deficit of £191,341, despite the fact that an income tax had been imposed and a Public Service Special Retrenchment Act passed which resulted in a saving of £87,000.

The Philip regime practically ended with an accumulated deficit, as above mentioned, of £1,151,469; for, about two months after the close of the financial year 1902-3, the Ministry were compelled by a schism in their party to resign office. They had been long popularly stigmatised as the "Continuous Government." The work of the coalition of 1890 having been accomplished, Ministers had exhausted their popularity; yet the
probability is that but for the financial debacle the end would not have come quite so soon. The drought having by this time broken, a return of prosperity was naturally expected; but on the one hand Ministers had made enemies by severe retrenchment, and on the other hand they were blamed for having failed to balance their budget.

When Parliament met on 21st July, 1903, Mr. Philp appeared still to command a working majority—though somewhat diminished by the general election of 1902-3 compared with that which had followed him for three years previously. But on the 8th of September the Treasurer, Mr. T. B. Cribb, carried his taxation resolutions in Committee of Ways and Means, after an acrimonious debate, by a majority of only two votes in a House of sixty-five, several prominent Government supporters voting with the Noes. Mr. Philp then moved the adjournment of the House, and next day announced the resignation of his Ministry.