

PART II.—THE WRONGFULNESS OF CHARGING PRINCIPAL OF COSTLY ORIGINAL WORKS OF CONSTRUCTION TO THE CONSOLIDATED REVENUE, AND THROUGH IT UPON THE TAXPAYERS EXISTING IN THE YEAR WHEN SUCH HEAVY EXPENDITURE WAS CONTRACTED.

The injustice to the taxpayer of the day, and the utter impossibility of the Government of the day to continuously adjust its schemes of taxation to suit the revenue needs of each year, as a consequence of any attempt to charge the Principal Original Costly Works of Construction, Expenditure such as Railways, Jetties, and Harbours, is best illustrated by comparing the effect upon the taxpayers of each year in Tasmania, were the burden of original cost wholly concentrated upon the Consolidated Revenue of the year, instead of, as was done, THE INTEREST BURDEN OF THE AGGREGATE CAPITAL INVESTED. This method alone enables a Government to spread the burden of the capital over present and future taxpayers equitably, in proportion to the benefits they respectively derive yearly, arising from the valuable assets created by the original capital investments which are continuously preserved in their pristine condition by the yearly maintenance renewals and repairs, which, with other ordinary working expenses are, and should alone be, a legitimate charge upon the Consolidated Revenue of the year.

THE PUBLIC DEBT OF TASMANIA.

The public debt of Tasmania on 30th June, 1906-7, amounted to £9,528,933. £7,528,000, or nearly four-fifths, was created since 1881, in a period of 25 years. Within this period the larger original outlays upon Railways, Roads, Bridges, Jetties, and Harbour were mainly incurred during five particular years—viz., 1884, 1886 and 1889, 1890 and 1891.

The following comparative table illustrates how disastrous and how unjust it would be to the taxpayers of those five years, if it were at all possible to defray the contracted capital expenditure of such necessary public works by a charge of the Principal, instead of interest thereon, upon each year's Consolidated Revenue Fund:—

GROWTH OF PUBLIC DEBT OF TASMANIA AND EFFECT UPON TAXATION AND INTEREST BURDEN.

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YEAR.	ABSOLUTE DEBT.		RELATIVE (PER HEAD).					
	Amount. (000 £'s Omitted).	(Mode A.) Charging Revenue with Interest only Actual.	(Mode B.) Charging Revenue of Year with the Principal.		C. Increase or Decrease in Taxation of each Year if Method (B) had been adopted.		D. Actual Total Taxation in Each Year.	E. Probable Total Taxation if Mode (B) could have been adopted.
			s.	d.	Increase.	Decrease.			s.	d.
1881	2003	...	...	...	...	...	59 2	...
1882	2050	23 1	...	...	...	...	62 1	...
1883	2385	23 9	38 2	14 5	...	...	63 7	78 0
1884	3202	26 10	128 7	121 9	...	...	54 11	176 8
1885	3357	28 2	23 11	...	4 3	...	57 1	52 10
1886	4026	28 11	101 9	72 10	...	...	57 6	130 4
1887	4109	31 11	10 1	...	11 10	...	56 2	44 4
1888	4390	31 4	40 9	9 5	...	...	59 2	66 7
1889	5019	34 1	88 4	54 3	...	...	60 3	114 6
1890	6432	34 6	194 8	160 2	...	...	63 3	223 3
1891	7110	35 5	88 9	53 4	...	...	67 5	120 9
1892	7399	40 4	38 2	...	2 2	...	57 4	55 2
1893	7645	43 3	32 7	...	10 8	...	52 0	41 7
1894	7779	43 8	17 5	...	26 3	...	55 9	28 9
1895	8180	42 6	51 8	9 2	...	...	60 2	69 4
1896	8251	41 6	8 10	...	32 8	...	59 3	26 7
1897	8390	39 10	16 10	...	23 0	...	61 3	38 3
1898	8412	38 5	1 8	...	36 9	...	64 11	28 2
1899	8395	37 2	1 11	...	39 1	...	64 2	25 1
1900	8511	37 2	13 4	...	23 10	...	74 7	50 9
1901-2	8854	37 3	39 5	2 2	...	...	61 9	63 11
1902-3	9228	37 9	42 3	4 6	...	...	50 6	55 9
1903-4	9318	38 4	10 0	...	28 4	...	58 3	29 11
1904-5	9471	38 4	10 4	...	28 0	...	61 2	33 2
1905-6	9693	39 4	25 1	...	14 3	...	64 2	49 11
1906-7	9884	40 5	20 7	...	19 10	...	69 6	49 8

The illustration given in the foregoing tabular comparison is most eloquent in demonstrating three most important ethical and economical truths, viz.:—

- (1). The injustice and impossibility, if attempted, of collecting from the people of the year a tax of, say, 114s. 6d. to 223s. 3d., as would be the case in the years 1884, 1886, and 1890, if the method were adopted of charging the principal of new costly works to the revenue of the year in which the enterprise was contracted. The tax in 1890 by this method would exceed the highest yearly tax ever collected in Tasmania by 148s. 8d. per head.
- (2). The impossibility on the part of the Government to construct new large costly works necessary to the proper development of a new country by such equitable yearly instalments as would do justice to the taxpayers of each year, if charged with principal instead of the interest thereon.
- (3). The utter impracticability, if not impossibility, of any Government to devise fresh yearly schemes of taxation, if the principal instead of interest thereon were charged to the year in which expenditure was to be contracted, owing to the frequency of its extreme and eccentric fluctuations.

We can more easily realise the force of these conclusions if we ask ourselves the questions—What would happen if the directors of a large corporate body, such as the London and North-Western Railway Company of England, in the projection of a new branch of extension, proposed to the shareholders of the moment (whose individuality is ever changing hour by hour, like the taxpayers of a State) to charge the principal of cost of construction and equipment to the existing shareholder (individuals!), either by an abstraction from their rightful profits from the earnings of the original system's working, or by mulcting them in a heavy outlay which, on purchasing stock of the company, was never contemplated nor allowed for by them in the selling price? Why, the shareholder would regard it as a barefaced robbery, and would at once depose the Board

of Directors who were mad enough to move such a proposal. When, in the United Kingdom, persons are found guilty of deceiving the shareholders and the investing public by secretly appropriating Capital, Loans, Money for new works of original construction, to credit of ordinary working revenue, and so doing a gross wrong to the unsuspecting investors; or, on the other hand, secretly charging working expenditure with the principal of new costly works of construction, and so robbing the shareholder of the year, the acts of such persons would be deemed by English law to be of the nature of high misdemeanour, and there are instances where guilty directors and guilty chief accountants of Railways have received sentences of 16 years' imprisonment for such an offence against law and justice.