

Some Conditions of Australian Federation

Presidential Address (Delivered 11th June, 1896)

Griffith, Samuel Walker, Sir (1845-1920)

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Some Conditions of Australian Federation

ONE of the subjects selected this year for a course of lectures under the auspices of the University Extension Council is that of Federal Constitutions. I am sure that the subject, in the hands of Mr. Woolcock, will be found to be of great interest, and will be treated in such a manner as to afford most valuable historical instruction. The subject is, moreover, one which in the present condition of the Federal movement in Australia should attract the attention of all those who may be called upon directly or indirectly to take part in the work, which is shortly to be undertaken afresh, of framing a Constitution for the Australian Federation, and who believe that useful lessons may be learned from history. It has seemed to the Council not inappropriate that I should take advantage of the opportunity afforded me, as President for the year, to offer by way of introduction to these lectures some observations on the general subject of Australian Federation, to which I have, as you know, formerly given some attention.

It is, I think, of the utmost importance that all those on whom may devolve any duty, whether as delegates charged with the task of framing a Federal Constitution, or as electors of those delegates, should have clear notions as to the nature and objects of a Federal Government, as well as of the conditions existing on this continent under which such a Government would be established.

The work of formulating a Constitution, which will look well on paper, and which may embody what are thought to be the most enlightened views as to the functions of Governments, the qualifications of electors, the term of office of Ministers, and other such questions, may be said to be in one sense comparatively easy to those possessed of the necessary historical knowledge and constructive ability. Two elements of the problem must, however, be always remembered—(1) That the real task is to frame an Instrument of Government which will be efficient and lasting, and (2) That the question whether any given views are or are not enlightened is one of opinion—one, moreover, upon which the opinions of the day often appear after a longer or shorter lapse of time to be unenlightened or even absurd. In this, as in all great matters, the first and most important question to be put and answered is—“What is the end you have in view?” A Federal Constitution is of course not an end in itself but a means to an end.

When you have definitely made up your mind what it is that you want, and not till then, you are in a position to sit down and devise the means best calculated to attain it.

I think that the people of the Australian Colonies are not likely to join in a Federal Union until it is made plain to them that it is to their advantage to do so. And it is highly probable that they will have at least as much regard to material advantages as to those which are only apprehended by an enlightened patriotism. It is certain, I think, at any rate, that the people will not agree to federate unless they are satisfied that the proposed change will not operate to their substantial disadvantage.

What, then, is the end to which a Federal Union is the means? And what are the necessary conditions of attaining that end? When I speak of the end in view, I do not, of course, refer to what may be called the end of all systems of government—the prosperity and welfare of the people. The immediate end now under consideration is the establishment of an efficient and lasting system of Federal Government for Australia. But this expression itself requires further definition.

A Federation may be said to be the union, more or less complete, of States possessing common interests in one larger State, which will act as one body in relation to external affairs, and will secure for its people the advantages of a common citizenship, but without interfering with the domestic affairs of the people of the States, so far as they do not affect the common interests of the whole Federation. This last is a most important point, as I will show, and one often lost sight of. But I suppose that no scheme of federation is likely to be entertained for a moment which would interfere with the complete control of the individual States over their own real and personal property, the laws relating to trades, contracts, local government, health, or any social experiment which they might desire to try, or any other matter concerning their social condition or welfare as civilised communities.

On the other hand, it is necessary to secure that the Federal Authority shall be so constituted as to give full effect to the will of the people of the Federation collectively on all matters in which they have a common interest. The term Federation, as distinguished from Confederation, is used to denote a union of States under conditions which provide that its laws shall be made and its affairs conducted in accordance with the wishes of the people of the whole Federation, and also in accordance with the wishes of the States which constitute it, and which at the same time effectually preserve the rights of the individual States as independent political entities. But as no system of free government has yet been devised which will secure absolute unanimity, recourse must be had to the principle of

government by majorities.

The fundamental rule of a Federation then is that every law submitted to the Federal Legislature shall receive the assent of the majority of the people, and also the assent of the majority of the States.

It is plain, therefore, that there must be in the Federal Legislature two bodies or Houses—one directly representing the States considered as States, and the other representing the people of the Federation considered as one body. As to the best mode of constituting these two Houses great differences of opinion have arisen and are likely to arise.

But before dealing with that branch of the subject I should like to say a few words as to the Executive Government—for there were Governments before Parliaments and before Federations. It may, I think, be assumed that any form of Constitution adopted in Australia will be founded in the main on the system of government to which we are all accustomed, and which is called variously Parliamentary or Responsible Government. But it must not be forgotten that this system is of quite modern growth, that many changes in its mode of operation have already been developed, and that some intelligent observers are of opinion that it is not altogether a success. One thing is certain, if anything is certain, that it will undergo further changes and developments, and that it is impossible *a priori* to predict what the nature or effect of those changes and developments will be. It should always be borne in mind also that the free British form of Government, as we know it, does not rest upon written formulae embodied in Statutes, but is the growth of many years, and, for all the written law says to the contrary, may be considerably altered without departing from the fundamental principles on which it is based. It is not, however, at all uncommon to find persons of large political experience and considerable intelligence who mistake some accidental development or phase of the system of free or Representative Government for an essential condition. Thus, the presence of all the Ministers in Parliament, and the conventional arrangements that they shall be considered as a quasi-corporate body, and that they shall all relinquish office when they incur the disapprobation of one of the Houses of Legislature, have been and are commonly considered as the essence of free government. I take leave to dissent from that view. The British written Constitution says nothing about Ministers sitting in Parliament, except that no more than a certain number of them shall sit there. It knows nothing of votes of want of confidence, or of the solidarity of the Cabinet. And the same is the case with the Canadian Constitution and those of most of the Australian Colonies. The reason for the existence of Ministers of State under a free Constitution is to carry on the government of the country in accordance with the will of the people. The

arrangements to which I have referred have been found for some years—quite a short time, however, in comparison with many other Constitutions—to conduce to that end. But it does not follow that they are essential conditions. The only essential condition is that the will of the people shall prevail. It has happened, and I believe is likely to continue to happen for a long time, that the persons on the whole best fitted to conduct the Government are members of the Legislature. But it was long ago pointed out, I think by Milton, that Constitutions might be framed under which the best and perhaps the most indispensable man would not for the time being be a member of Parliament. Others have expressed a fear that the modern system of Parliamentary warfare and Parliamentary elections has a tendency to prevent some men whose services would be most valuable to the State from seeking election. Some go so far as to say that under the system of government prevailing in the United States of America the best men are ordinarily not found in the Legislature. And the working of the Constitution of that great Republic certainly shows that the presence of Ministers in Parliament is not essential to the existence of a free Government. Moreover, history teaches us that in cases of sudden urgency the nation will demand the services of its best men, whether they are or are not already engaged in some particular branch of the public service.

It is to me a singular thing that such a misconception should be so prevalent. Perhaps the reason is that the capacity to distinguish means from ends is not universally bestowed. I repeat, the essential condition is to secure that the will of the people shall prevail. This condition is effectively secured under our British Constitution by the very simple device of requiring an annual provision to be made by the Legislature of the pecuniary means of carrying on the Government, just as the power of the Crown exerted through standing armies was broken by limiting the duration of the Mutiny Acts to one year. If the Ministers nominated by the Sovereign do not command the confidence of the Legislature, the want of confidence is duly signified to the head of the State. The result is, in practice, a change of Ministers. If that result did not follow, the Legislature, if it desired to insist on a change of Ministers, would probably refuse to vote Supplies, so that the carrying on of the Government would become impossible until its wishes were complied with.

It is quite plain that this result would follow just the same, if the Legislature so desired, whether the Ministers held or did not hold seats in Parliament, and whether they were regarded as one body or as independent of or dissociated from one another. If the Legislature thought fit to enact that Ministers should hold office for a fixed period of time, they would in effect be promising not to withhold Supplies on the ground of their

disapproval of the action of the Ministers during that period. But such a surrender of power would be voluntary and revocable. The free exercise of the will of the people would in principle remain unaffected. I do not hesitate to say, therefore, that the term of office of Ministers and their presence in Parliament are not of the essence of free, or Parliamentary, or Responsible Government. If these views are well founded, it would be a fatal mistake to attempt to engraft upon a Federal Constitution any particular form of development of Responsible Government. Only secure that the will of the people shall have free course. And it must be remembered that the people whose will is to prevail—and which will prevail in the long run, in spite of all attempts to trammel it by written rules—is the people, ever changing, of the future, and not the persons who to-day may be the mouthpieces of a majority. For myself, I have confidence in the people, and believe that, although they, being human, make mistakes, they will ultimately arrive at the best conclusion as to their own government. Indeed, I do not know in whom else to repose confidence. But my confidence is not limited to the people of to-day. On the contrary, I believe that every generation will find a people who in point of intelligence, education, and character are more worthy of confidence. A free Federal Constitution must therefore be framed in such a way as to give full scope to the will of the people for the time being. Nevertheless, a Federation being, as already pointed out, in the nature of a partnership or association of separate and still independent States, it is necessary to define the conditions under which they are to be associated.

The first step, therefore, towards the establishment of a Federal Constitution is to determine what shall be the respective functions of the Federal and State Governments and Legislatures; for, until you know the purpose for which a Government or Legislature is established, you are not in a position to form an intelligent judgment as to the best mode of constituting it. And at this point the analogy of a partnership is not without useful suggestions. Partners make stipulations as to the nature and scope of their common business, as to the mode of conducting it, and as to their respective rights of control and do not allow individual partners to enter into competition with them in the business of the partnership. But they do not interfere with one another's food or clothing or domestic arrangements. With regard to the classification of the respective subjects of Federal or State control, little difficulty may be anticipated. The subjects which naturally fall within the sphere of Federal control have reference mainly to external relations, internal commerce, defence, the status of citizens, and the general government. It is especially important to bear in mind this division of subjects when considering the Constitution of the Federal

Legislature. It is no part of my duty to offer any opinion as to the superiority of one franchise over another; but I may observe that the functions to be performed by the elected appear to me to be very relevant to the question of who the electors shall be. Take as an instance the latest movement with regard to the franchise. No one, I suppose, objects to a woman voting at an election of a hospital board or a committee of a school of arts. Nor in Queensland, at any rate, has anyone objected to a female ratepayer voting at municipal elections. It does not seem to me to follow that at an election, say, of a captain of volunteers women should be entitled to vote. And there is, I think, no finality in any scheme of franchise. The tendency of late years certainly has been to continually enlarge the franchise, and naturally so, because of the narrow and, as we think, absurd limits within which it was at first confined. It is still, so far as I know, capable of enlargement in every country which has a definite franchise, for no nation has thought fit to admit indiscriminately any person without regard to age or nationality, or to allow the privilege to criminals or lunatics in confinement. The tendency, as I have said, is to enlarge it, but there are already in places signs of a contrary tendency. And history is not without examples of a wider franchise being afterwards narrowed by the free will of the persons who enjoyed it. We have lately seen in Belgium an alteration in the franchise in the opposite direction to that denoted by the phrase "one-man-one-vote." And this was voluntarily adopted by a people which already enjoyed a more equal franchise. A similar tendency is noticeable in the Southern States of America, although for different reasons. Nor do I know that the number 21 has any magic virtue attached to it, so that a person of that age, of one or of both sexes, should at that period of his or her life become entitled to a vote. It certainly has not the sanction of the test, "quod semper et ubique et ab omnibus," for some peoples have preferred the age of twenty-five. Possibly strong arguments might be adduced to show that the age, say, of eighteen in one climate corresponds to the age of twenty-one in another. Again, the character and disposition of the people of a country are affected by climate and other circumstances. I can conceive of a country in which it would not occur to anyone to deny the franchise to any person, male or female, over the age of twenty-one, of another country in which the granting of the franchise to all men over twenty-one would be obviously right, and a third where either of these franchises would be obviously absurd, if the objects of the lawgiver were to secure good government. And as the conditions of a country change so the franchise might conceivably be also changed with advantage. Compare, for instance, Switzerland with Turkey or Egypt. No one who desired the practical welfare of the last-named countries would desire at

present to extend the franchise to the same category of persons to whom it would without controversy be conceded in the former.

The conclusion which I draw from these considerations is that the extent and basis of the franchise of electors of the Federal Legislature should be entrusted to the people—*i.e.*, the people of the Federation—and that it would be a fatal mistake to attempt to impose any views which a majority of the small number of people now living in Australia may entertain on the subject on those who are to come after them, and on whom will fall the burdens and responsibilities of Federal government.

Whether the power of determining the franchise in the future should be left to the separate States or to the Federal Legislature is, I conceive, a matter of minor importance. I should suppose that the course most consistent with freedom, and with the varying conditions of the Australian continent, most consistent also with real confidence in the people, would be to leave it to each State to determine for itself, as was done by the framers of the American Constitution, but with power to the Federal Legislature to establish a uniform franchise for the whole Federation.

It is, of course, essential to define the basis of proportional representation of the several States, for this is a fundamental condition of the partnership. It will also be necessary to define the franchise of the first electors. The necessity for uniformity in that franchise is, however, not apparent. I repeat that the true rule is to interfere as little as possible with the concerns of the States, and to have confidence in the people.

In what I have just said, I have referred, of course, to what may be called the popular House of the Federal Legislature. With regard to the choice of members of the House that would represent the States as States various opinions are entertained. *Primá facie*, it might seem that, as the State as a corporate entity is the subject of representation, it is the function of the State to determine how it will choose its representatives. On the other hand, uniformity in the mode of choice has apparent advantages—possibly more apparent than real. Various schemes have at various times and in different countries been adopted for the choice of the second House of Parliament, and much may be said in favour of each of them, but probably it cannot be said that any one mode is demonstrated by history to be manifestly better than all the others. The scheme adopted by the American Commonwealth—namely, of choice by the Legislatures of the States—has resulted in the creation of a House which has been said to be the most august and powerful House of Parliament ever known, and this was the mode which found favour in the Convention of 1891. Some method must be adopted to begin with, and probably it will be found safe to follow that view, as one that has been shown by actual experience to be in many

respects satisfactory, leaving power to the people of the Federation, in accordance with the principle which I have endeavoured to indicate, to substitute some other system, uniform or not, if, in their wisdom, they think it expedient to do so.

Before leaving this branch of the subject, I may remark that a desire for symmetry is natural to all who approach the matter *a priori*. But those who have had practical experience in affairs must recognise that symmetry is not always attainable, and often not particularly desirable. It is of more importance that a tree should have healthy roots, and that its branches should be healthy and beautiful and bear good fruit, than that its roots should all be trimmed to the same pattern.

What would be, in practice, the relation of the two Houses of the Federal Legislature to one another and to the Ministers of State? And how would the system of what is called Responsible Government work under such a Constitution? Would each House insist upon exercising its powers of veto in order to compel the retirement or dismissal of Ministers of whom it did not approve? These are interesting questions which can only be answered by experience. But I think it is safe to predict that the British genius for government will find a practical *modus vivendi*; and it should not be forgotten that under any form of Constitution, except a despotism, there must be checks and counter checks, and that the working of the machinery might at any time be brought to a stop if any one of the several authorities were to insist on exercising its utmost rights. My own opinion is that the practical result would be that it would come to be recognised that the Federal Government must command the general confidence of both Houses of the Legislature, and that less importance would be attached to defeats on minor matters in either House. Recent events in France tend, I think, to support this view. And having regard to the limited scope of the functions of the Federal Government, I do not think there would be any difficulty in obtaining this result. It will of course be necessary to define the respective powers of the two Houses with regard to Supply Bills, as they must be passed every year; but for the rest the good sense of the people may be trusted to work out a successful issue. If that good sense is absent any Constitution will be a vain show.

I have now adverted to the main political elements of the problem involved in the framing of a Federal Constitution, and have suggested some principles which *a priori* seem to govern its solution. But the practical consideration will always be present that the Constitution must be one which will find favour with the people who are called upon to adopt it. It is conceivable that a new Convention, however chosen, may adopt some system which in the eyes of the majority of the members is perfect in

theory, but which will not find such favour. In that case the labours of the Convention will be in vain, and a fresh departure will be necessary. I think that these considerations should moderate the ardour of those who, impressed with what they think the only true principles of political government, desire to insist upon their acceptance by the whole of Australia, forgetting that the people of the several Colonies will accept them or reject them at their own free pleasure. Those who are sincerely desirous of establishing a Federation, and to whom the end is greater than the means, will be willing to admit that their own light may to others, without whose aid they cannot succeed, be darkness, and will be content to accept what is practicable instead of insisting upon what perhaps is better, but perhaps after all is not. I confess I find it difficult to believe in the sincerity of a man who insists on impossible conditions. There is still the further consideration that whatever Constitution may be framed must be one which will commend itself to the people who will have to live under it, and that no written formulae embodied in documents of however solemn a character will hold a people together if the bonds become too heavy to be borne. The breaking of bonds so forged may be accompanied with bloodshed. It would certainly be accompanied by grievous troubles and disasters. The success of the work of the Convention will be, whether the members think so or no, dependent upon its fulfilling the two conditions of being acceptable both to the people who are called upon to adopt it in the first instance, and to those—a vastly larger number—who will live under its provisions. On all these grounds, and on the further ground that every human institution, if it is to be permanent, must be susceptible of growth and development, I insist that the rules established by the Federal Constitution as to the choice of the members of the Legislature, and as to the appointment and term of office of the Ministers of State, must be made flexible; and I maintain that anyone who insists upon embodying what he conceives to be the only true principles of freedom in the permanent laws of a free people is not only no friend of Australian Federation but is an enemy of true freedom.

I have said all that I wish to say on the political aspect of the question, and trust I have not trespassed beyond the limits within which my office requires me to confine myself. I desire to add some observations as to the material conditions of the problem of Australian Federation which—with all respect I say it—have not, I fear, hitherto been sufficiently considered.

It must be assumed that at a shorter or longer period after the establishment of a Federal Government—and the shorter the better—“trade and intercourse throughout the Federation, whether by land or water, will be absolutely free.” It may also be taken for granted that the

Federal Government must have at its command a sufficient revenue to defray the necessary charges of administration, and it is equally essential that the several States shall have at their command a sufficient revenue to defray the State expenses. I propose now to call attention to the manner in which the scheme proposed by the Convention of 1891 for dealing with the question of finance, which is the only one that has hitherto been definitely formulated, would work in practice. For, as I have already remarked, the Colonies will want to know before they come into a Federal Union what its effect will be upon their financial affairs. The probable effects of freetrade throughout Australia are another matter. Those effects, whatever they may be, must be allowed as a necessary part of the defects or advantages of a Federal Union.

By the Draft Constitution of 1891 (chap.iv.) it was proposed that the Federal Parliament should have exclusive authority to impose duties of Customs and Excise and to grant bounties on exports, but that this power should not come into force until uniform Customs duties had been imposed by that Parliament. In the meantime the existing powers and authorities of the several Colonies were to continue, except that the control and collection of Customs and Excise duties and the payment of bounties were to pass at once to the Federal Government.

The Federal revenue was to consist of these Customs and Excise duties and the revenue received in connection with the departments the control of which was to be transferred to the Federal Government. This revenue would have been very much larger than the amount required for the expenses of the Federal Government. It was, therefore, proposed that the expenditure should be charged to the several States in proportion to the numbers of their people, and that the surplus should be returned to the States "in proportion to the revenue raised in them." I propose to inquire how this scheme would have worked out on the assumption that the Federal Union had been accomplished at the beginning of the financial year 1894-5, and taking the actual revenue and expenditure of the several Colonies for that year as the basis of calculation.

And first: What would have been the Federal revenue? That revenue would have consisted of Customs and Excise duties and receipts from Posts and Telegraphs, the amount of which would have been as shown in Table I. (I take the figures from the Year Book of Australia for 1896.)

TABLE I. FEDERAL REVENUE.

—	Customs and Excise.	Posts and Telegraphs
	£	£
New South Wales	2,323,961	626,864

Victoria	2,118,115	* 665,504
Queensland	1,195,696	217,077
South Australia	500,288	212,087
Northern Territory	34,562	649
Tasmania	299,661	54,996
Western Australia	513,508	80,756
	£6,985,791	£1,857,933
		6,985,791
		£8,843,724

The total revenue would therefore have been £8,843,724, which would have been contributed by the several Colonies in the following proportions:—

New South Wales	£2,950,825 = .334
Victoria	2,783,619 = .315
Queensland	1,412,773 = .159
South Australia	747,586 = .085
Tasmania	354,657 = .040
Western Australia	594,264 = .067
	£8,843,724 = 1.000

The next thing to be considered is the Federal expenditure. I take the expenditure of the several departments which would have been taken over by the Federal Government at the amounts actually expended by the several Colonies, which are as shown in Table II. (I assume, of course, that a uniform tariff had not yet been adopted).

TABLE II. EXISTING EXPENDITURE ASSUMED BY THE FEDERAL GOVERNMENT.

—	Customs and Excise.	Posts and Telegraphs.	Defence.	Lights and Quarantine (estimated).
	£	£	£	£
New South Wales ...	74,201	702,632	243,837	20,000
Victoria	74,243	440,771	197,570	20,000
Queensland	42,834	298,467	63,067	30,000
South Australia	20,405	192,668	34,236	15,000
Northern Territory	4,094			
Tasmania	7,342	72,044	12,424	10,000
Western Australia ...	12,115	77,459	8,879	5,000
	235,234	1,784,041	560,013	100,000
Total	£2,679,000

The new, or additional, expenditure of the Federal Government I estimate as follows:—

Salary of Governor-General	£10,000
His staff, &c.	5,000
Senate (48 members at £500)	24,000

House of Representatives (salaries of 115 members at £500)	57,500
Other expenses of legislature	50,000
Salaries of Ministers	15,000
Salaries of officers of Department of State, Treasury, and Attorney-General (new offices)	20,000
	£181,500

For other contingent expenses, including a Federal judiciary, I allow £48,500, making a total of £230,000.

Adding this to the actual expenditure already referred to, we get the following estimate of expenditure (omitting figures below thousands):—

Federal Government	£230,000
Customs and Excise Department ...	235,000
Post and Telegraph Department ...	1,784,000
Defence	560,000
Federal Lights and Quarantine	100,000
	£2,909,000

making a total of £2,909,000, which deducted from £8,844,000 leaves a surplus revenue of £5,935,000 to be divided amongst the colonies according to the prescribed rules.

At this point it is to be observed that, while the revenue of the several Colonies would have been diminished by the amounts mentioned in Table I., on the other hand their expenditure would have been reduced by the amounts mentioned in Table II., which are in round numbers as shown in Table IIA.

TABLE IIA.
EXPENDITURE SAVED
BY EACH COLONY.

New South Wales	£1,041,000
Victoria	733,000
Queensland	434,000
South Australia	266,000
Tasmania	102,000
Western Australia	103,000
	£2,679,000

This amount, added to the £230,000 for the expenses of Federal Government, makes up the estimated expenditure of £2,909,000. The net balances before distribution of the surplus, and irrespective of the new Federal expenses, would be as shown in Table III.

TABLE III. BALANCES TO CREDIT OF
COLONIES.

—	Contributed (Table I.)	Saved.	Balances.
	£	£	£

New South Wales ...	2,951,000	1,041,000	1,910,000
Victoria	2,783,000	733,000	2,050,000
Queensland	1,413,000	434,000	979,000
South Australia	748,000	266,000	482,000
Tasmania	355,000	102,000	253,000
Western Australia ...	594,000	103,000	491,000
	£8,844,000	£2,679,000	£6,165,000

Deducting the £230,000 for the expenses of the Federal Government, we get the divisible surplus of £5,935,000 as already stated. I proceed to inquire how this surplus would have been divided and to compare the sums payable to each Colony with the balances of their respective contributions as shown in Table III.

According to the Draft Bill, as already stated, the Federal expenditure was to be charged to the Colonies in proportion to their population. I take the population for the financial year 1894-5 from the "Year Book" as follows:—

		Proportion.
New South Wales	1,277,870 =	.361
Victoria	1,181,769 =	.334
Queensland	460,559 =	.130
South Australia	358,659 =	.101
Tasmania	160,934 =	.045
Western Australia	101,235 =	.029
	3,541,026 =	1.000

Dividing the Federal expenditure of £2,909,000 in proportion to the population of the several colonies, we get the results shown in Table IV.

TABLE IV. EXPENDITURE
APPORTIONED
ACCORDING TO
POPULATION.

		£
New South Wales ...	(.361) ...	1,050,000
Victoria ...	(.334) ...	972,000
Queensland ...	(.130) ...	378,000
South Australia ...	(.101) ...	294,000
Tasmania ...	(.045) ...	131,000
Western Australia ...	(.029) ...	84,000
	(1.000) ...	£2,909,000

These amounts, therefore, would be charged to the several Colonies, and the surplus would be "divided in proportion to the revenue raised in them." I take this expression, which is not a fortunate one, to mean that the net amount of their contributions after deducting the amounts so charged is to

be returned. For, if the surplus were divided literally in proportion to the contributions, it is manifest that the Federal expenditure would also be borne by them in the same proportions.

The amounts to be returned to the several Colonies would, therefore, be as shown in Table V.

TABLE V. AMOUNTS TO BE RETURNED TO THE COLONIES UNDER SCHEME OF COMMONWEALTH BILL.

	£	£
New South Wales	2,951,000	
	1,050,000	
		1,901,000
Victoria	2,783,000	
	972,000	
		1,811,000
Queensland	1,413,000	
	378,000	
		1,035,000
South Australia	748,000	
	294,000	
		454,000
Tasmania	355,000	
	131,000	
		224,000
Western Australia	594,000	
	84,000	
		510,000
		£5,935,000

Comparing these results with Table III., we find that New South Wales would be a loser by £9,000, Victoria by £239,000, South Australia by £28,000, and Tasmania by £29,000, while Queensland would be a gainer by £56,000 and Western Australia by £19,000; the difference between these gains and losses being £230,000, the estimated amount of the new Federal expenditure. It will be seen that the whole burden of the new expenditure would have fallen on Victoria, and an additional burden of £9,000, while Queensland and Western Australia would have derived further substantial advantage at the expense of their neighbours.

I fear that this investigation will show that the proposed scheme is not satisfactory. One weak point evidently is that, while the Federal expenditure is charged in proportion to population, many of the expenses of Federal administration may be heaviest where the people are few.

If, instead of taking the rule prescribed in the Draft Bill, the net surplus

were divided in proportion to the amounts contributed by the different Colonies, a mode which involves, as already pointed out, the charging of the Federal expenditure in the same ratio, the division would be as shown in Table VI.

TABLE VI. DIVISION OF
SURPLUS IN PROPORTION
TO CONTRIBUTIONS.

	£
New South Wales ... (.334) ...	1,982,000
Victoria ... (.315) ...	1,870,000
Queensland ... (.159) ...	944,000
South Australia ... (.085) ...	504,000
Tasmania (.040) ...	237,000
Western Australia ... (.067) ...	398,000
(1.000) ...	£5,935,000

This result differs widely from that first arrived at. Comparing the figures in Tables VI. with those in Table III. we find that New South Wales would be a gainer by £72,000, and South Australia by £22,000, while Victoria would be a loser by £180,000, Queensland by £35,000, Tasmania by £16,000, and Western Australia by £93,000, the difference between these losses and gains being, as before, £230,000, the additional cost of the Federal Government, to which New South Wales and South Australia would have contributed nothing, while, on the contrary, they would have received contributions from the other Colonies, on which would have fallen, in addition, but in very unequal proportions, the whole extra charge of government.

I fear that this result would be equally unsatisfactory. It will therefore obviously be necessary to devise some new financial basis of union.

Apart altogether, however, from the difficulties which arise from the extremely different conditions of the several Colonies in point of area, revenue, and cost of government, there is another reason which I conceive to be of paramount importance why some different scheme should be devised. It has been said that the first duty of a State is to pay its way—that is, to raise a revenue sufficient to cover its expenditure. And it is of importance that the responsibility of providing the ways and means should rest on the same body which is charged with the duty of controlling the expenditure. This is the reason why our British method of requiring that every proposed vote of money shall be recommended by the Crown—*i.e.*, shall obtain the sanction of the Government—is of so much importance. The absence of a similar unity of responsibility with respect to the raising and the expending of revenue has given rise to serious trouble in the United

States of America. If the revenue of a State is largely in excess of the State's requirements, the sense of responsibility tends to be lessened. There is therefore an obvious danger in giving the Federal Government control of a revenue very much larger than that required to defray the expenses of Federal Administration. A very large proportion of it would come from Customs and Excise. The Federal Legislature might adopt a policy which would largely reduce that source of income, but still leave ample funds to defray the Federal charges. But the individual States would be reduced to the choice between bankruptcy and the imposition of direct taxation to an extent equal to the amount of the diminution of Customs and Excise revenue. Such taxation might be both convenient and desirable in one State, and at the same time highly inconvenient or inexpedient in another.

I venture to think that the Colonies will take care to protect themselves against this risk.

It would be desirable on every ground that the Federal revenue should be as nearly as possible equal to the Federal expenditure. The sources of the former must, however, I think, certainly include Customs and Excise and receipts from Posts and Telegraphs. In order to bring about an equilibrium, therefore, the Federal Government should be charged with some additional expenditure. It will occur to everyone to suggest that it should take over the Public Debts of the Colonies. Such a policy would undoubtedly have many advantages both in theory and practice. But I propose now to ask you to consider what the practical result would be, taking as the basis, as before, the actual facts of the year 1894-5.

The State interest bills for the several Colonies for that year were as shown in Table VII.

TABLE VII. INTEREST
PAYABLE ON PUBLIC
DEBTS.

	£
New South Wales	2,287,044
Victoria	1,982,496
Queensland	1,256,581
South Australia	923,137
Tasmania	332,197
Western Australia	148,964
	£6,930,419

Adding these amounts to the expenditure of the Federal Government, as previously estimated—£2,909,000—we should get a total expenditure of £9,839,000 as against a revenue of £8,844,000, leaving a deficit of £995,000, which would have to be raised by some means.

Assuming it to be contributed by the several Colonies in the same proportions as the sums actually contributed by them, the several amounts would be as follows:—

Contributed by—

New South Wales	£332,000
Victoria	313,000
Queensland	158,000
South Australia	85,000
Tasmania	40,000
Western Australia	67,000
	£995,000

The actual result, on this assumption, upon the finances of the Colonies, irrespective of any theoretical apportionment of expenditure or recrediting of surplus, is shown by a comparison of Tables III. and VII. with the figures just given, and is set out in Table VIII.

TABLE VIII. NET RESULT TO REVENUE OF COLONIES IF INTEREST ON PUBLIC DEBTS PAID BY FEDERAL GOVERNMENT, ADDITIONAL CONTRIBUTIONS OF COLONIES BEING IN EXISTING PROPORTIONS.

—	Contributed.	Saved.	Balance.
	£	£	£
New South Wales ...	2,951,000	1,041,000	
	332,000	2,287,000	
	3,283,000	3,328,000	+ 45,000
Victoria	2,783,000	733,000	
	313,000	1,982,000	
	3,096,000	2,715,000	-381,000
Queensland	1,413,000	434,000	
	158,000	1,257,000	
	1,571,000	1,691,000	+120,000
South Australia	748,000	266,000	
	85,000	923,000	
	833,000	1,189,000	+356,000
Tasmania	355,000	102,000	
	40,000	332,000	
	395,000	434,000	+ 39,000
Western Australia ...	594,000	103,000	
	67,000	149,000	
	661,000	252,000	-409,000

The difference between the gains and losses is £230,000, the estimated amount of new Federal expenses.

It is manifest that any scheme which produced such results would have no chance of adoption.

Let us now consider the amounts which ought to be contributed by the several Colonies towards the deficit of £995,000 on the assumption that they are entitled to credit for the amounts to be returned to them according to Tables V. and VI. respectively. This is shown in Table IX., which gives the difference between the contributions of the Colonies and the amounts assumed to be expended on their behalf.

TABLE IX. ADDITIONAL CONTRIBUTIONS REQUIRED FROM COLONIES IF FEDERAL GOVERNMENT ASSUMED LIABILITY FOR PUBLIC DEBTS (on basis of Tables V. and VI.)

—	According to Table V.	According to Table VI.
	£	£
New South Wales	+386,000	+305,000
Victoria	+171,000	+112,000
Queensland	+222,000	+313,000
South Australia	+469,000	+419,000
Tasmania	+108,000	+95,000
	1,356,000	1,244,000
Western Australia	-361,000	-249,000

On this assumption Western Australia would be entitled to receive £361,000 on one basis and £249,000 on the other, being, in each case, the difference between the amount of the contributions of the other Colonies and the deficit already stated of £995,000.

Finally, let us consider the amounts which would have to be contributed by or paid to the several Colonies, in order to produce the result that their finances would remain undisturbed, but without making provision for the new Federal expenditure. This is shown in Table X.

TABLE X. ADDITIONAL CONTRIBUTIONS REQUIRED FROM COLONIES TO PRESERVE EQUILIBRIUM.

—	Contributed.	Saved.	Required.
	£	£	£
New South Wales	2,951,000	1,041,000	
		2,287,000	
		3,328,000	+377,000
Victoria	2,783,000	733,000	
		1,982,000	

		2,715,000	-68,000
Queensland	1,413,000	434,000	
		1,257,000	
		1,691,000	+278,000
South Australia	748,000	266,000	
		923,000	
		1,189,000	+441,000
Tasmania	355,000	102,000	
		332,000	
		434,000	+ 79,000
Western Australia	594,000	103,000	
		149,000	
		252,000	-342,000

On this basis £68,000 would be payable to Victoria, and £342,000 to Western Australia, the difference between the amount of the contributions of the other Colonies and the amounts payable to Victoria and Western Australia being £765,000, which is the difference between the deficit of £995,000 and the (omitted) new expenditure of £230,000.

It is probable, however, that the interest on the Public Debts would be considerably reduced by consolidation. On the other hand, as soon as a uniform Federal tariff was established all the Customs duties levied on goods exported from one colony to another would be lost. This amount was estimated by me at the Federal Conference of Melbourne (1890) at £500,000, and statistical calculations made in Sydney at the Convention of 1891 led to a similar result. My own opinion, however, is that this amount would be exceeded. It is, therefore, evident that if the Federal Government assumes the responsibility for the Public Debts some provision will have to be made not only for raising additional Federal revenue but also for adjusting more fairly the incidence of the burden than would result from a mere pooling of the income and the expenditure. It is no part of my present purpose to say how this can best be done. In the proposal of 1892 for the division of Queensland into Provinces it was contemplated that certain territorial revenues of the Provinces should be received by the General Government. The objections to a levy by a Federal Government upon the State Governments are shown by the short history of the first Confederation of the New England States, and are, indeed, obvious.

Nevertheless, I may be allowed to suggest, as a provisional basis for discussion, that the Federal Government should assume, with regard to the State creditors, the liabilities in respect of the whole of the Public Debts of the several Colonies, but that as between itself and each Colony the Federal Government should be called upon to defray the charges of a stipulated amount only of the debt, the Colony undertaking to recoup in every year

any liability incurred in respect of the debt so far as it is in excess of that stipulated amount. Conversely, the Federal Government should undertake to pay a corresponding subsidy to any Colony the amount of whose debt so assumed by the Federation was less than the amount agreed upon as proper to be assumed on its behalf by the Federal Government. This scheme would afford facilities also for the raising of future loans by the Federal Government on behalf or for the benefit of the several States if desired. It would moreover remove the principal difficulty in the way of the future subdivision of the Colonies and creation of new States. But the principles on which the amounts should be adjusted would require very full consideration.

It is sufficient for me now to say that the financial problems involved in the Federation of Australia will have to be solved before the Federation is accomplished. The inequalities and unfairness which would result from the schemes already put forward are, I think, so manifest as to require no comment. To frame a better scheme, which, while doing justice to the present, will be sufficiently flexible and adjustable to meet the altered conditions that will certainly arise in the not far distant future, is a task which will demand the best financial skill as well as statesmanlike foresight. The task is to my mind quite as difficult as that of framing the political constitution. And it is a matter not to be settled by a majority of votes in a Convention, but by the unanimous acceptance of the results of friendly negotiations. I have been induced to refer to this aspect of the question this evening at so much length because it has appeared to me that it was in danger of being lost sight of, and because I am convinced that, until the difficulty is fairly faced, Federation, however much it may be talked about, and whatever Constitutions may be framed, will not be actually accomplished. And unless the coming Convention has the command not only of full information but of skilled advice on these points, its labours will be abortive.

It is, perhaps, hardly necessary to point out that the practical value of the results which I have deduced from the statistics of 1894-5 is not substantially affected by the circumstance that the figures necessarily vary from year to year, or by the possibility that my estimate of the additional cost of a Federal Government may be too low or too high. If that amount were doubled, a further burden in the proportions indicated in Table IV. or Table VI. would fall on the Colonies, which would increase the burden of those already assumed to be burdened, while the benefits to the others would be lessened or would disappear.

All this will, I am sure, be taken for granted by my critics, just as it must be taken for granted by the persons who are ultimately charged with the

duty of negotiating the terms upon which the Australasian Colonies will—I hope ere long—enter into a great political partnership under the Crown.

May I be permitted, in conclusion, to add that in my opinion two of the most serious existing obstacles in the way of Federation are—(1) the comparative want of acquaintance on the part of Australian public men with other Colonies than their own, and the corresponding want of knowledge of those men by the people of other Colonies; and (2) the want of any definite notions as to the probable effect of Federation, if accomplished, upon the financial and material affairs of the Colonies. I have often publicly in other parts of Australia adverted to the former obstacle; and I hope that what I have said this evening may have some effect in at least opening the way to a removal of the latter.

* Twelve months to 31st March.
