

CHAPTER VI.

TAXATION.

TAXES NEEDED IN ALL CIVILIZED COUNTRIES.—IN EUROPE FOR ARMIES AND NAVIES, AND INTEREST OF NATIONAL DEBT INCURRED IN WAR.—COLONIAL DEBTS INCURRED FOR REPRODUCTIVE WORKS.—TAXATION MAY BE DIRECT OR INDIRECT.—ADVANTAGES AND DISADVANTAGES OF BOTH.—CUSTOMS DUTIES.—AD VALOREM DUTIES.—REVENUE OF SOUTH AUSTRALIA—ONLY ONE-THIRD OF THAT DERIVED FROM TAXATION.

IN all civilized countries, **taxes** of some kind are paid by the citizens for the protection of life and property, for keeping up courts of law to try criminals and settle disputes, and for paying all the officers who carry on government business, from the king or governor to the lowest civil servants. In old countries, the keeping of a standing army and navy even in times of peace is a cause of great expense, and the public debt of all European nations was generally incurred in times of war, and the interest of their national debts must be paid by taxation. In South Australia, our public debt has been incurred to make railways and other **reproductive** works—not the **destructive** works of gunpowder and cannons; but if we borrow money for even useful works, the people must pay the **interest** for the use of it.

There are other expenses connected with the safe keeping of dangerous lunatics in asylums, and the

relief of the destitute poor, which are undertaken by the government for the good of the whole community. There are also the expenses of education, of which the government pays the greater part. It is better that these things should be done on a regular plan by people who make it their business to attend to them, than that every one should protect himself from thieves, murderers, and madmen, or that the poor should go about the streets begging. A small contribution from every one will pay for law, justice, and charity. This contribution is called taxation, and all civilized governments try to make the **payment as light, and to collect it as cheaply**, as possible. They try to take as little out of the pockets of the people, and to get as much for the use of the government as they can.

There are two ways of raising taxes—**direct** and **indirect**. A direct tax goes straight from the person who pays it to the government tax collector. A poll tax, by which people pay so much a head, is a direct tax; but if it is the only, or the chief tax in a country, it is not a fair one, because the rich pay no more than the poor. A property tax is a direct tax. An income tax is a direct tax; it is so much in the pound—3d. or 6d. on all incomes above a certain limit—so that the poor may always escape it altogether. A dog tax is a direct tax. In South Australia most of the taxation is **indirect**—that is to say, the taxes are paid by one set of people on the goods imported into the colony, who sell them to their customers at a higher price on account of the money they have laid out in this way. These taxes are mostly collected by the government officers at the seaports. They are called customs duties, which must be paid before the goods can be landed and sold. For instance, every lb of tea that is brought from China must pay 3d., and every 100lbs. of sugar that comes from Mauritius must pay 2s. 9d. Every gallon of spirits must pay 10s.; and every lb of tobacco, 2s. These are the most heavily taxed articles. Some articles are admitted free, but most

ordinary goods pay 5 or 10 per cent. on their value—that is to say, for every hundred pounds worth the government must get five pounds or ten pounds, according to the rules laid down in the **tariff**, as this scale of customs charges is called.

This way of collecting taxes has some great advantages. One of these is, that we do not know when we are paying them. When we go to a shop and buy a lb. of tea, or an oz. of tobacco, we do not think that we are paying taxes at all, though we really pay the shopkeeper more on account of their customs duties. Another reason is, that if we have no money to spend we pay no taxation; while a direct tax, such as a poll tax or an income tax, may be called for when we have no money in the house. But indirect taxation has some disadvantages too. People do not always pay in proportion to their means. A very rich man, who lives in a frugal way, and neither drinks spirits nor smokes tobacco, may pay less to the government for the protection of his life and his property than a working man who spends half of his earnings in brandy and tobacco. Another drawback of indirect taxation is, that it is very expensive to collect, and that as every one wants a profit on having paid it, by the time the taxed article passes from the ship to the customer it is much dearer to him than the bare amount of the customs duty. In old countries, the revenue is made up partly of direct and partly of indirect taxes. In South Australia, so much money is got for **land**, and so much for **service**, that only about one-third of the whole revenue is derived from **customs duties**. The revenue of the colony is very large for its population. It is at the present date more than a million and a half of money, but only about one-third is derived from taxation proper through the customs duties.

Many people think that the time has come for direct income or property tax in South Australia, so as to make the customs duties lighter.

TAXES MAY BE IMPOSED FOR REVENUE OR FOR PROTECTION.—
DISTINCTION.—IF THEY REALLY PROTECT NATIVE INDUSTRY
THEY BRING IN NO REVENUE.—SUPPOSED DUTY ON WOOLLEN
GOODS; ON BOOTS AND SHOES.—REASON IN FAVOR OF
PROTECTION; IN FAVOR OF FREE TRADE.

Customs duties may be charged on imported goods for the sake of **revenue**, or they may be put on for the sake of **protection**. We must explain this distinction, for it is a very important one. Revenue is the money needed for government purposes, and the more goods pay duty the better it answers. But when a duty is put on for the sake of protection to native industry, it is made so high that people do not buy the imported article at all, but buy a similar article made in the colony. In that case the tax does not produce revenue for the Government service.

In England customs duties are put on only a few articles for the sake of **revenue**. In the United States of America and in Victoria they are put on almost all imported articles that can be made by their own people for the sake of **protection**, that their manufacturers may be able to get a better sale for their goods. To explain the working of this kind of taxation as clearly as possible, let us suppose that we in South Australia wanted to encourage people to make wool into cloth and blankets, instead of sending the wool to England for money and getting in exchange their manufactured goods. For this reason we put a duty of 25 per cent. on tweeds and blankets. This would be 2s. 6d. on a blanket worth 10s. Now, if the manufacturers at Lobethal mills, or any other place in South Australia, could make as good or a better blanket for 12s. 6d., the people might buy the colonial article; but then all those who wanted blankets would have to pay an extra price for every one they bought. The same with tweeds and flannels and woollen dresses—they would all be dearer on account of

this protective duty, whether people bought the English goods or the colonial goods. But if the duty was raised to 50 per cent., or 5s. on a 10s. blanket, and people all bought the colonial article, **there would be no revenue** from blankets and woollen goods at the custom-house. The squatter might get a little more for the wool used here, and the woollen manufacturer might employ a great many men and women, at good wages, in his factory; but all the people who wanted clothes and blankets might have to pay half as much again for them. The same with boots and shoes, if 25 or 30 per cent. is charged on imported boots—though it would cause more bootmakers to be employed at good wages, it would make all the boots worn by the 260,000 people in South Australia cost so much the more. The articles of wool and leather are what we produce here, and could manufacture to the greatest advantage. No one would propose to put a heavy duty on cotton goods, because we do not grow cotton, and it needs an immense quantity of the most expensive machinery, and a great deal of labor, to make it into cloth, which sells at a very low price.

As a colony becomes settled, there naturally grows up a strong desire, especially amongst working people, that the money which is spent on imported goods which might possibly be made at home should be spent in employing our own people; and they wish, too, a greater variety of occupations than those which are natural to us—such as farming and wool-growing and mining. A great many Australians think that a large manufacturing class of skilled artisans and careful factory hands would be a good thing for the colony—that it would make society more complete and more intelligent. Even though they know that protection makes us pay more money for all the things on which a heavy duty is paid, they think that it would be worth that price to develop the skill and cleverness of our young people. The advocates of protection always say that when we have got our

industries fairly started, we may make the duties less and perhaps let them die away altogether.

On the other side, the advocates of **free trade** say that it is going against the natural laws by which God governs the world, to prevent people from getting their wants supplied as cheaply as possible. They say that when a country gets populous enough for manufactures, they will pay those who undertake them, and that they need not be bribed by an extra price through these heavy duties on the imported goods. They also say that the great brotherhood of man all over the world is best served by the people of every country producing or making the things that they can do best and cheapest, and sending their surplus to other people who cannot make them to such advantage. It has been shown that our foreign trade with England is an advantage on both sides. The English people eat our corn, and work with our wool and copper, and we buy from them in exchange what they wish their ingenuity and labor and capital can send to us better and cheaper than we can make at home. It has also been remarked that if protective duties are once put on, it is almost impossible to get them reduced or done away with even after the industries are long established.

ENGLAND THE ONLY FREE TRADE COUNTRY IN THE WORLD.—
ENGLAND TAXES FOR REVENUE ONLY.—WHY ENGLAND
NEEDS A LARGE REVENUE.—EVERYBODY SHOULD TRY TO
UNDERSTAND THIS SUBJECT.—DIFFERENT TARIFFS A
HINDRANCE TO THE FEDERATION OF THE AUSTRALIAN
COLONIES.—THE DOMINION OF CANADA.

England is the only country in the world which has adopted the principle of free trade, and she was forced into it because she was poor in land, though rich in labor and capital. If the millions of people who are employed in her great factories and workshops could get no food but what is grown in England they would starve. It is only thirty years ago, however,

that she took off the protective duty on corn, which the English farmers thought very hard indeed; and she opened her ports to the corn, the food, and the general products of all the world duty free. She trusts to her industrious people paying for all that they consume by sending the products of their labor all over the globe. The difference between the price of the raw cotton and the cotton cloth, and the bales of wool and the woollen goods, is **the profit on which this manufacturing population lives.** So all over the world people are growing materials, and sending them to England to get them back in a different shape.

But though England has adopted the principles of free trade, and puts on no taxes for **protection**, she must put on some taxes for **revenue.** Not only has she a great nation to govern, and a great army and navy to pay for, but she has to pay the interest on about eight hundred millions of national debt for money borrowed (mostly from her own subjects) in time of war. But these taxes for revenue are put on only a few things, and those not the necessities of life. Tea, sugar, wines, spirits, and tobacco are the principal things taxed; and as spirits can be made in England, there is an **excise** duty (the same as the customs) on every gallon of the home-made spirit. In South Australia, also, home-made spirits pay an excise duty in the same way, but it is 7s. 3d. instead of 10s. per gallon. Our wheat and flour, our wool and copper, our leather and bark, our jams and preserved meats, are all admitted free to England; but if we send wine, it must pay for revenue the same duty which wine from every other place pays.

No other country has adopted free trade entirely. Different forms of protection to native industry are being tried all over the world, and experience will decide which is the wisest and best. Every child who learns to read, and to understand what he reads, will by-and-by see this question discussed in books and newspapers by clever writers, and he should try

to form an opinion on the subject to the best of his judgment.

The tariff, or the rate of taxation on imported goods, is not the same in the different Australian colonies. Victoria has the most protectionist tariff of all these colonies. This makes a great difficulty in the way of what is called the **federation of the Australian colonies**. All the provinces of British North America are united into one dominion, called the Dominion of Canada, where the tariff and most of the laws are exactly the same. In the Dominion of Canada they have one governor-general, with a parliament for matters that concern all the provinces; but each province has its lieutenant-governor and parliament for its own domestic affairs. So long as there are such great differences in taxation, it would be impossible for the Australian colonies to be federated in this way. They have to unite about mail steamers to take letters to and from England, and a few other matters. In case of war, all the colonies would have to work together to form some plan of general defence, and to act upon it; but there is not much real union between them yet. They do not sufficiently understand that the prosperity of every one of the colonies is advanced by the prosperity of all of them.

