

PUBLIC FINANCE

ITS RELATION TO COMMERCE

LECTURE BY PROFESSOR MILLS

Problems of public finance, and the reactions of the individual and trading, were discussed in a lecture by Professor R. C. Mills last night.

"Public finance in relation to commerce" was the subject of the Joseph Fisher lecture, which was delivered at the Brookman Hall, School of Mines, last night. The lecturer was Dr. R. C. Mills, professor of economics at the Sydney University. There was a large attendance, and the Vice-Chancellor of the University (Professor Sir William Mitchell) presided.

The Vice-Chancellor introduced Dr. Mills, who was to deliver the thirteenth of the series of Joseph Fisher lectures. He said he did not know why public finance had to wait until the thirteenth lecture, nor was he certain what fate had joined the subject and that number. As a taxpayer, he thought he knew. (Laughter.) He was certain, however, that Professor Mills would be heard with pleasure, and he welcomed him. (Applause.)

Professor Mills said public finance was concerned with the economic effects which followed from the raising and the spending of income by the State. In the typical case, the State took from its citizens a portion of their incomes which otherwise they would have been able to spend for themselves, and transferred that income to another set of people—such as judges, civil servants, and old-age pensioners. Practical problems of public finance turned largely on the question how much of the taxpayer's income should be spent for him by the State. The operations of public finance should be considered as a whole, for a partial view led to misconception. Taxation was not merely exaction, for the money thus raised enabled the State to carry out its functions; nor was private expenditure always and everywhere wiser than public expenditure. There were important differences between private finance and public finance, which made difficult any simple application of the principles of sound private finance to public finance. The State, for example, had compulsory powers, had normally a longer existence than any of its subjects, and might judge a financial operation by the test of indirect or of non-monetary return.

Taxation and Expenditure

There was no essential economic difference between commerce and industry. Commerce covered what was usually known as business, and business did not consist in applying economic theory. Economics and commerce were closely related, although their viewpoint was different. The operations of public finance vitally affected the business man, both as a citizen and in his business. Taxation might hinder enterprise and lessen production; public expenditure might wastefully divert the resources of the community. Public revenue arose either in the form of economic receipts from successful public enterprises, or in the form of taxation; and the latter was, in practice, of much greater importance. Taxation was used, not merely to produce revenue, but to bring about social and economic changes which the community thought desirable. That practice was not without its critics, but it was usually accepted as legitimate in the most important instance, namely, the regulation of economic development by means of protective Customs duties. A common classification of taxes was into direct and indirect taxes. The distinction was often made to turn upon the question, who bore or was intended to bear the burden of the tax. Those taxes were direct, where those who bore the tax were those upon whom it was imposed. A better distinction was between direct taxes, of which the burden was open and unconcealed, and indirect taxes, whose burden was disguised by being concealed in a trans-action or a price. The most important direct tax was income tax, usually regarded by business men as a hindrance to production and a deterrent to enterprise. But it was necessary always to remember that the effects of taxation were only part of the effects of public finance, and to consider them alone was likely to mislead.

Effects of Income Tax

The payment of income tax, apart from the effects arising out of the expenditure of the proceeds by the Government, meant that a taxpayer had less to spend or to save. That might affect production, through its effect upon the taxpayer's capacity to work and to save, and his willingness to work and to save. Except in rare cases, his capa-

city to work was unharmed, but his capacity to save was automatically reduced. It was more difficult to generalise as to the effect upon willingness to work and willingness to save, or the reaction of taxpayers to taxation, because it was likely to be different for different people, for different taxes, and to be affected by the height of the tax. Generally speaking, income taxation, especially if the rates were high, reduced private saving, particularly that of wealthy people, and to that extent lessened production. But enterprise was not necessarily checked in the case of employes and professional men, though it might be in the case of private traders, especially those accustomed to undertake risky and more speculative business. Those effects upon saving and enterprise were the chief argument against high rates of income tax. It was commonly held by business men that the income tax was invariably passed on in the form of higher prices, though economists, as a rule, maintained that the burden of the income tax could not be shifted in that way. In England recently the Colwyn Committee—which consisted of economists, taxation experts, and prominent industrialists and commercial men—sided in that dispute with the economists. But the really important question was not whether the tax was passed on, but what were its effects upon saving and enterprise. One problem which was becoming more important with the growing economic inter-dependence of communities was that of double taxation, which occurred when the same income was subject to taxation by two taxing authorities. One form of double taxation existed in Australia, where both Commonwealth and States imposed income and other taxes; but the older form arose where the income from foreign investments was taxed both at home and abroad. Double taxation hinders foreign investment, and there was need for a greater measure of international agreement, in order to overcome this difficulty.

Government Expenditure Needed

Public expenditure operated in a reverse way to taxation. Without some Government expenditure, industry and commerce would languish. Other expenditure, again, represented a mere transfer from taxpayers to stockholders. That occurred for example, when money was raised from taxpayers and handed over in the form of interest on internal war debt, to stockholders who were often the same people as the taxpayers. Much modern expenditure too, such as that upon education, was deliberately aimed at improving production. Taxation and expenditure together caused industry and commerce to flow in directions different from those in which they would have flowed if private individuals had spent the money. But that did not necessarily mean that net production was lessened. External borrowing increased the resources of the State; internal borrowing merely transferred resources from subjects to the Government; but repayment of the debt differed correspondingly. Interest on an external loan was a deduction from the national dividend, but the case was different with an internal loan. In either case, if the proceeds were spent wastefully, there was an economic loss. The interest paid on Australian war-debt held abroad was a net loss; but a mere transfer where the debt was held by Australians. Most of the Australian public debt, however, had been incurred for the purpose of establishing public works. Where those provided adequate monetary or non-monetary returns, the economic position was sound. But there had been considerable waste, and it was essential to have greater economy in raising and spending loans, and more care in estimating and making public the returns due to such expenditure. (Applause.)

Encouraging the Study of Economics

Mr. E. W. Holden moved a vote of thanks to the lecturer. He said the commerce course at the University was established in 1902, and in 1903 Mr. Joseph Fisher gave £1,000 for the encouragement of the course. The lecture was established, to be given every two years. Professor Mills had contributed a great deal to the economic literature of Australia, and his lecture had been extremely sound. There had been a good deal of discussion lately on public finance, some of which had led to pessimism, but Australia was a great country, and, with care and foresight in the expenditure of future loan money, they would get through all right. (Applause.)

Professor Hancock seconded the motion, and said Professor Mills had always maintained a high standard in his work, its qualities being careful investigation, fair grouping of facts, and sane and well-judged interpretation of those facts. Professor Hancock likened the taxpaying community to passengers in a charabanc, two noisy sections of whom were continually plucking at the sleeve of the driver, urging him to leave the road for the left or the right. The minority wanted to keep to the road. Among them were one or two economists. (Laughter and applause.) He thanked Professor Mills for his lecture.

The motion was carried with acclamation.

NEED FOR CARE IN RAISING LOANS

Professor Mills On Public Finance

FISHER LECTURE

"IT is essential to have greater economy in raising and spending public loans and more care in estimating and making public the returns due to such expenditure," said Professor R. C. Mills in his Joseph Fisher lecture on commerce at Brookman Hall last night.

The State could generally show a better "future policy" than the private individual, he said. Private individuals did not necessarily spend their incomes in the best possible way. The State exercised a compulsory power, and had a longer existence than an individual.

Professor Mills said the problems of public finance could not be wholly solved by economic principles.

That every tax was an evil was not universally true, he said.

The most important direct tax was the income tax, usually regarded by business men as a hindrance to production and a deterrent to enterprise. The payment of income tax, apart from the effects arising from the expenditure of the proceeds of the Government meant that a taxpayer had less to spend or to save.

EFFECT ON PRIVATE SAVING

Generally speaking, income taxation, especially if the rates were high, reduced private saving, particularly of wealthy people, and to that extent lessened production. But enterprise was not necessarily checked in the case of employes and professional men, though it might be in the case of private traders, especially those accustomed to undertake risky and more speculative business.

These effects on saving and enterprise were the chief argument against high rates of income tax—double taxation hindered foreign investment, and there was need for greater international agreement to overcome the difficulty.

PUBLIC EXPENDITURE

Professor Mills said much modern expenditure aimed to improve production. Taxation and expenditure together caused industry and commerce to flow in directions different from those in which they would be flown if private individuals had spent the money. But that did not necessarily mean that net production was lessened.

Professor R. C. Mills, who delivered the Joseph Fisher lecture at the Brookman Hall last night, is a Victorian. He was born at Goulburn Valley in 1886. He was educated at Wesley College and at the Melbourne University, where he graduated as master of laws. He is a doctor of economic science of the London University and he also studied at the London School of Economics. He has been professor of economics at the Sydney University since 1922. Professor Mills served in the Great War in the Royal Garrison Artillery, and was wounded in 1918.

CLOSING SPANISH UNIVERSITIES

The "Chatter" of Professors.

Oviedo University was officially closed on April 17 owing to the students' rebellious attitude, according to a statement issued by the Spanish Government, which also threatens to take similar measures against Barcelona University (says the Madrid correspondent of the "Manchester Guardian"). General Primo de Rivera, in an explanatory statement, says that while the students' conflict certainly vexes the Government because of the comments excited abroad and the restlessness produced at home, he is willing to facilitate the closing one by one of other universities if they follow the example of Madrid, Oviedo, and Barcelona Universities and continue to co-operate with the revolutionary movement unconsciously supported by a number of students. General Primo de Rivera does not believe this constitutes a vital problem for Spain, where physicians and lawyers are superabundant. He adds that many university professors only perturb the students' minds through "their picturesque and incoherent chatter."

EDUCATIONAL RALLY MOST SUCCESSFUL

Sir Archibald Strong Considers Vancouver Sessions Stimulated Much Interest

In its aim of appealing to those interested in education, not merely from the specialist's point of view, and of stimulating public interest in this subject, the recent conference of the National Council of Education, held in Vancouver and Victoria, was successful, Sir Archibald Strong, professor of English at the University of Adelaide, Australia, pointed out yesterday when visiting McGill University. The conference was not intended, he said, to be a meeting of specialists in education, but was held primarily to make a much wider appeal. Of course, educational experts did meet and interchange ideas, but the conference was by no means confined to them.

One of the indications of its success might be taken from the fact that, without exception, the sessions were extremely well attended. The general interest in educational matters was strongly evidenced by the fact that good audiences greeted all the sessions and not merely those at which internationally popular figures were delivering the addresses. The theatre in Vancouver, which has a seating capacity of two thousand, in which the sessions were held, was crowded during the conference. One of the special points at the conference was the affirmation of the importance of British ideals and ideas of education, Sir Archibald believed. In connection with the conference he also referred to the prominent place the subject of adult education received.

Sir Archibald came to Canada with the purpose of attending the conference, but he is also visiting a few Canadian and American universities before his return to Australia. He has already visited Toronto University, and before sailing purposes visiting both Princeton and Harvard.

He stated yesterday that he was much impressed with the Redpath library at McGill, and thought the Chinese collection in the Gest Research library very remarkable. He also expressed admiration for the symmetry of the McGill College buildings, and commented on their unity of material.

Speaking of Australian universities, Sir Archibald explained that there were six in the country, one in each state. The largest were in Melbourne and Sydney, with the University of Adelaide the next in size. Sir William Bragg, the physicist, was a professor at Adelaide University for twenty-two years, and carried out his original work in radio-activity in that college. Horace Lamb, the mathematician, who is at present at the University of Manchester, had served on the faculty of Adelaide University for twelve years, and Sir Douglas Mawson, F.R.S., who is now planning another expedition to the Antarctic, is professor of geology at this university.

One feature regarded as important in university life in Australia was the affiliated resident colleges, he said, of which there are four apiece in Melbourne and Sydney and two in Adelaide.

SUCCESSFUL ANGAS SCHOLAR

At a meeting of the Port Adelaide City Council on Thursday the mayor (Mr. F. J. Brown) congratulated Alderman Gibb on the success of his son, Mr. Claude Gibb, an Angas scholar. He said Mr. Gibb had been appointed to the directorate of Parsons, Ltd., one of the largest engineering firms in England. He had had a distinguished scholastic and business career, and it seemed a pity that such genius, the foundation of which was laid in this State, should be lost to South Australia. The council carried a resolution in accordance with the mayor's remarks. Alderman Gibb said he felt it had been an honor not only to himself, but to one of the boys of Port Adelaide.