

OCTOBER.

At a meeting of the Royal Society of Tasmania on Monday, October 21, discussion was resumed upon Mr. R. M. Johnston's paper on "The primary law of value or price," which was read at the previous meeting of the Society. The Hon. Sir James Wilson Agnew presided, and there was a good attendance of ladies and gentlemen, among whom were the Hon. P. O. Fysh, Mr. Justice Dodds, Hon. Adye Douglas, M.L.C.; Bishop Montgomery, and Hon. C. H. Grant, M.L.C.

MRS. MEREDITH'S WATERCOLOURS.

The PRESIDENT, in opening the meeting, mentioned that an effort was being made to secure Mrs. Meredith's watercolour drawings of Tasmanian fish, flowers, shells, etc., and to present them to the Society. Considerable amount of success had already attended the effort, but more money was still needed for the purpose, and if any public-spirited individual could afford to help, the members of the Society would be very grateful. The paintings were on view downstairs, and he advised those present to inspect them before they left the building.

APOLOGIES.

The SECRETARY (Mr. A. Morton) read letters of apology from His Excellency the Governor, Hon. J. Henry, Messrs. E. Hawson (secretary of the Chamber of Commerce), T. E. Hewitt, James Whyte, and James Barnard, senior vice-president.

MR. JOHNSTON'S PAPER.

The CHAIRMAN said he had repeatedly read Mr. Johnston's pamphlet, and thought he had clearly proved his case—that the cost of production regulated the price.

Mr. A. J. OGILVY said he thought the thanks of the whole community were due to Mr. Johnston for having so ably brought the subject forward. He (the speaker) was not going into any particular application of the principle—bimetallism or anything else—for it was no good to go into the application until it was settled whether the principle was the true one. Mr. Johnston's opening statement when condensed was that the cost of production, not demand and supply, primarily determined prices. Later he qualified that by excluding things the cost of which was determined by scarcity alone, confining it to things which could be increased indefinitely, and where competition operated without restraint. That price would always represent cost of production measured in labour if there were no natural scarcity or artificial interference Mr. Johnston had proved conclusively, but the case thus qualified seemed so plain from the mere statement of it that one was surprised to hear that it required proof. The ratio between demand and supply as such was the sole governing power of the movement of prices, notwithstanding that behind demand and supply was cost of production. The doctrine of demand and supply was that the value of everything was determined by its scarcity, as compared with the demand for it. If there was no demand for it it would have no value, no matter how scarce it might be. However, let them keep to the main point, which was that looking at the matter broadly and taking price as a whole as it actually was with all its disturbing influences, not as it might be without them, it was demand and supply as such that determined it, cost of production acting only by affecting supply and so disturbing the ratio, besides being only one factor out of many, though no doubt the chief one, in affecting supply.

Mr. FYSH said he had read Mr. Johnston's paper twice. When he first read the pamphlet he was disposed to dissent, but when he had read it again and had studied it more fully he asked—"Who questions it?" For so clear was it to him that the primary law of value or price was the economic cost of production that it seemed outside of argument. All they had to do was to follow the phraseology of the writer—"the primary law of value or price." There was "value" and "price," and value and price with the writer were the same thing. Therefore the primary law of value (leaving out price) must be the economic cost of its production. And the more they thought it out the more surely they arrived at that conclusion, and yet not break down the experience as to the law of supply and demand. As to gold, he was not so able to follow Mr. Johnston's argument. They could not make an artificial price of it.

Mr. JOHNSTON : Gold is measured by itself.

Mr. FYSH : Measured by an arbitrary standard of value. And if the output was so reduced that it could not be overtaken, we would be obliged to fall back on some other mineral, such as bismuth, and which is more scarce than gold at present. Gold was, after all, only a matter of exchange—a convenience for exchange and measure. The more he read the more he was convinced that Mr. Johnston was right with respect to the law of value and price. Take wheat and meat for instance. That he demonstrated by facts. The thing was to limit themselves to his terms, and then they had only to ask themselves—"Who is going to question it?" The law of supply and demand was quite separate from the law of economic cost of production.

Hon. ADYE DOUGLAS said he had come to learn, not to instruct, not having had time to dip into the subject. With regard to the economical production theory put forward they must all agree to that. So far as he had been able to read the pamphlet, he quite agreed with Mr. Johnston.

Hon. C. H. GRANT said he had only cursorily read the pamphlet, but was inclined to agree with Mr. Johnston's demonstration that the primary law of value and price was the economic cost of production. As to wheat, notwithstanding the increased demand and supply, the cost had been enormously reduced, and that was accounted for by the increased facilities of transit—steam and the triple expansion engine.

Mr. JOHNSTON : That has largely accounted for it—also the reaper and binder.

Mr. GRANT : Thus value and price are determined by economic cost of production. The same principle applies to the reduced cost of meat.

Dr. BENJAFIELD, in a lengthy address, said there was no question that in the early state of society the cost of production was the value, but we live in different times now, and all that had changed. Ricardo, Adam Smith, and others were superseded by the opinions of up-to-date men. Mr. Johnston had told them that "gold was our established foot-rule for measuring value, and the standard of itself could not show any variation"; again, that the falling of prices could not be due to the appreciation of gold. All that seemed to him (Dr. Benjafield) to be fallacious. Professor Nicholson, of Edinburgh, one of the leading authorities in Britian—[Mr. JOHNSTON : "He is not the best"]—said it was impossible to take labour as a unit of value. Wells, whom Mr. Johnston had quoted with a flourish of trumpets, as a modern authority, said prices were controlled by supply and demand; that when production was checked prices advanced. [Mr. JOHNSTON : I agree with that.] Mr. Johnston had told them that the quantity of

gold did not regulate prices; that the scarcity of gold had nothing to do with prices. Mill said that if the whole money in circulation was doubled prices would be doubled. Giffen, a greater authority than Ricardo—[Mr. JOHNSTON: He was not a political economist]—showed that the alterations in value and prices were due to the scarcity of gold; that the gradual adjustment of prices must be subject to the gradually smaller supply of gold; that a fall in prices implied a contraction in money, but Mr. Johnston laid it down emphatically that it was not so. [Mr. JOHNSTON: Certainly.] Professor Foxwell, of Cambridge, said: "There can be no question that where the value of money has risen the price of commodities has fallen." Giffen said that banking facilities did not meet the difficulty, and did not compensate for a scarcity of gold. Saurbeck said that a great increase of production and an insufficient supply of gold were the causes of lower prices.

Mr. Justice DODDS rose to a point of order. He thought gold should not be considered as gold, for the purposes of the discussion, for gold had a fixed standard that was simply used as a medium of exchange. Mr. Johnston's paper dealt with the primary cost of the production of commodities, and that had not a fixed standard.

The CHAIRMAN: That is the point.

Mr. JOHNSTON: Hear, hear. This is bordering upon the question of bimetallism.

Dr. BENJAFIELD (proceeding) said that Professor Nicholson ridiculed the idea of gold being a foot-rule, as the value of a sovereign was changing frequently. Mr. Johnston had said that the fall of silver was due to cheapened production. Giffen said that its purchasing power was greater than ever, and had not really fallen at all. They should speak of silver as appreciating a little and gold a very great deal. They would find that what had occurred to silver had occurred to gold. The cheaper means of abstraction of gold had also been very great. Last year's output was the largest, yet its purchasing power had doubled within 20 years,

Mr. FYSH: Why do you argue it is scarce? Is it scarce?

Dr. BENJAFIELD said it was scarce in the banks.

Mr. FYSH referred to the millions lying idle in the banks.

Dr. BENJAFIELD said that gold appreciation had occurred through legislative interference, and silver had failed to equally appreciate through the same cause.

After Mr. WOOLLNOUGH, M.H.A., had offered some observations, the discussion was adjourned for a week.

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At an adjourned meeting of the Royal Society of Tasmania on Monday, October 28th, Sir James Wilson Agnew, K.C.M.G., M.D., M.E.C. (Vice-President) occupied the chair, and there was a good attendance of both ladies and gentlemen. The meeting had been adjourned until this evening to further discuss Mr. R. M. Johnston's paper on "The Primary Law of Value or Price."

DEATH OF MRS. MEREDITH.

The CHAIRMAN, upon taking the chair, said:—Ladies and gentlemen,—Before we proceed to business I have to say how sorry I have been to hear this afternoon—and I am sure you are very sorry too—of the death of Mrs. Charles Meredith. Mrs. Meredith has been a distinguished resident of Tasmania and a hon. member of this

Society for many years. She died to-day in Melbourne. You will recollect that the last time we met I brought under your notice some of her works which it is very desirable should be secured for the Society. They consist of books and pictures of shells, animals, and flowers. They have been on view downstairs, and several people have been to see them. Now they are up in this room (the Art Gallery), and perhaps after this meeting is over some who are present would like to inspect them. The works are bound in the best style, as all her works are, and now by the intelligence of her death a melancholy interest is attached to them.

NEW MEMBERS.

The Hon. Thos. Reibey, M.H.A., and Mr. J. G. Mitchell, of Jericho, were balloted for, and unanimously elected members of the Society.

LETTER FROM MR. WRAGGE.

Mr. Clement L. Wragge wrote from the Chief Weather Bureau, Brisbane, as follows :—

My Dear Morton,—This letter is an official one to you as secretary to the Royal Society, and I will beg you to read it before the Fellows. I must confess that I am much disappointed that the Government of Tasmania have not voted the funds necessary to continue the maintenance of the new meteorological service of Tasmania; but I learn at the same time, with sincere gratification, that it is proposed to hand over the local direction of the Tasmanian weather service to your Society. I am sure that the interests of this service will be jealously and safely guarded by your august body, and that your Society will do its utmost to take such steps as may be necessary to maintain, not only the observatories at Hobart and on Mount Wellington, but also the out-stations in different parts of the island. Of course, it was on the distinct understanding that these stations are maintained, or to put it in other words, that data are forthcoming from these stations, that I undertook to cable daily to Tasmania, without any expense whatever, the forecasts issued here for your island. It will at once be evident that if the Tasmanian stations cannot be kept going, the forecasts cannot possibly be up to the present standard of accuracy. I have reason to believe that they have already been found of considerable practical utility, and it will be most deplorable in public interests if the present efficient service cannot be kept afloat. I would therefore earnestly commend the Meteorological Department of Tasmania to the special care of your Society, and feel sure that you will recognise in Mr. Kingsmill, as Government Meteorologist for Tasmania, one who has thoroughly the interests of his department at heart, and do what you can to assist him in these important duties. I am pleased to hear that the country has, at last, determined to recompense him for the outlay he so generously expended in order to establish the coast stations and the observatory on Mount Wellington. I am leaving next week for Cape York Peninsula, and for a long and extended tour of inspection in Central and Northern Queensland generally. If you have anything important to communicate, please write or wire to me at the Post and Telegraph Office, Cooktown, N.Q., until further notice; but should you have communications that can be dealt with during my absence, please address my first assistant, Mr. Archibald W. Anderson, Chief Weather Bureau, Brisbane. Mr. Anderson will issue the forecasts during the time I shall be away from here. He has been specially trained by me, and I have every possible confidence in his work. Please convey my respectful regards to Sir James Agnew, your vice-president, the members of your Council, and the Fellows of your Society.

The letter was received.

THE PRIMARY LAW OF VALUE OR PRICE.

Mr. W. KNIGHT, M.A., barrister-at-law, resumed this discussion upon Mr. Johnston's paper by reading a paper in which he criticised Mr. Johnston's views very strongly. Mr. Johnston, he contended, took an extreme view of the principles of the value and the use of gold. The demand for gold was never kept pace with. It had a monopoly value, and therefore Mr. Johnston had not sufficiently taken into account the value of capital.

Mr. J. W. ISRAEL read a paper showing that he was in agreement with what Mr. Johnston had advanced. He read a paper on the subject eight years ago and then came to similar conclusions. He then went into economic principles to show the evidence of the same.

Mr. THOS. TAYLOR urged there was another law besides the cost of production which regulated prices. From the fifties to 1870 prices went up, notwithstanding the cheapening of the cost of production.

Mr. A. J. TAYLOR thought speakers had not paid sufficient attention to Mr. Johnston's paper and diagrams. Dr. Benjafield and others had spoken of conditions of things which Mr. Johnston excluded. He thought Mr. Johnston had successfully set out to prove that the law of value or price regulated and determined the ratios and values of precious metals, and all other commodities, and was to be found in the economic cost of production. He thought Mr. Johnston had established that the primary law of value had to do with the cost of production.

Hon. NICHOLAS J. BROWN, M.E.C., said: Taking a broad view of the subject, all over the world it seemed to him inevitable that the average prices realised for commodities must bear a distinct relation to the cost of production, and he could not understand why such elaborate calculations and diagrams were so necessary to prove it. He was, however, unable to see what practical value these assertions of Mr. Johnston were. He supposed the object was to prove that those who agitated for bimetallism were entirely in error. On that question he was not prepared to definitely commit himself; but he thought, from that point of view, Mr. Johnston seemed to have the right end of the stick, for he could not understand how giving a fictitious value to silver could have any effect whatever, unless there was an agreement to use it as such on the part of the whole of the nations of the world.

Mr. RULE did not think Mr. Johnston had demonstrated his thesis. No one would dispute that cost of production was an important factor; but on the question of supply and demand a lot was left unproved.

Mr. JOHNSTON, in reply, complained that his paper had been largely misunderstood by some of the speakers. His paper went to show that the economic cost of production, not supply and demand, was the initial element in the control of prices. He had confined himself to economic cost. He showed how the intellect of men and capitalists had lessened labour. He did not ignore capital as having helped. The dominant law was the cost of production. There must be a pivot for supply and demand to work upon—the equilibrium price; economic cost of production was the major law in controlling price. Gold could never measure itself. He denied that he had shown that cost of production meant a general decline of prices. When they took lengthened periods in their investigations they saw how the influence of supply and demand fell short. Cost of production included carriage and distribution. As to bimetallism, there was no local market for gold or silver. The world was the market. If the quantity of money determined the matter, prices of commodities should have risen, because gold had become more plentiful, and not have fallen.

A hearty vote of thanks to Mr. Johnston was passed on the motion of the Hon. P. O. Fysh.