REVIEW

Remarkable Economists


Reviewed by Colin Rogers

Giblin’s Platoon deals with the lives of four remarkable men who are often rightly considered to be the founding fathers of the Australian economics profession. The interesting dimension to this story is that Hobart rather than Sydney or Melbourne acted as the intellectual birthplace of the profession. To tell their story the authors take a number of strands and weave them into an intricate but precise tapestry of Australian economists, institutions and economic history from the first half of the 20th century. The story is woven around the four members that make up Giblin’s Platoon (the reason for the military metaphor will become apparent shortly) and takes place against a background of two world wars and the associated social and political upheaval that shook the foundations of western democracies.

There are at least three main strands that create the tapestry. Brief biographies of the members of Giblin’s Platoon; Giblin, Brigden, Copland and Wilson sets the scene. The contribution of the ‘platoon’ to the economic ideas and debates of the times forms the bulk of the book while interwoven behind these major events in economic history are the individual intellectual and personal histories of the members of the platoon. There are many events and ideas in this story that will be familiar to students of Australian economic history but the individual perspective adopted by the authors places these events in a more personal setting. Intellectual history adds a dimension that is missing from a purely historical account. The underlying theme of the work is the tension and stress faced by members of the platoon as they sought to influence public opinion and public policy.

The trail blazed by the platoon was characterised by success and failure. In particular, despite their policy focus, there were some notable theoretical innovations that originated from the platoon — Giblin is credited with discovering the concept of the multiplier before Kahn, and Wilson developed the traded—non-traded goods trade model and the idea what has become known as the ‘Dutch Disease’ or, in Australia, the Gregory Thesis. But at the same time the book outlines the ‘twisted trail’ of political economy that led to what looks like their
most notable policy failure — ‘The Plan’ to combat the Great Depression. The economic history of that event has been well documented elsewhere (Gregory and Butlin, 1988). Nevertheless, the authors offer some additional insights into the economic and political ideas behind economic policy at the time. But the story begins much earlier.

The life experience of the members of the platoon is presented in the opening chapters of the book. The four members of the platoon all came together in Hobart in the period 1919-1924 and ‘formed a bond at the University of Tasmania that was to last until death’. The platoon leader, Lyndhurst Faulkner Giblin, was born into a privileged family in Hobart where he attended Hutchins between 1881 and 1889 when he won a scholarship to study at Kings College, Cambridge. There he excelled on the rugby field and even represented England — perhaps something anathema to many modern Australians. If that wasn’t enough, his life over the next few years reads like a ‘Boy’s Own’ adventure or something out of Winston Churchill’s ‘My Early Life’.

After graduating with a BA second-class honours Giblin left for the Klondike gold rush in the Yukon. It appears he revelled in the harsh physical conditions and exhibited his aptitude for leadership by leading a relief expedition to save starving miners trapped by heavy snow in the spring of 1899. In the intervening years he moved between London and Tasmania, ran a successful Ju-Jitsu school in London for several years and was embarked on a promising political career back in Tasmania when WW I intervened.

He enlisted in the AIF at the age of 43 and served with distinction in France where he rose to the rank of Major, was awarded the Military Cross and Distinguished Service Order, and was badly wounded three times. At the end of WW I he returned to Tasmania in 1919 as Statistician and financial-economic advisor to the Tasmanian Government. Surprisingly, Giblin did not hold an academic position until he took the Ritchie Chair in Economics at Melbourne University in 1930. Needless to say I doubt that there were many economists at the time with a life experience as rich as Giblin’s. There are certainly none today.

The path that led other members of the platoon to Tasmania also makes for a fascinating read. Brigden arrived in Tasmania as a result of a chance encounter with Mrs Edwin Cannan while recovering form a wound received on the western front. His training in economics then came through contact with Professors Edwin Cannan and Edgeworth at Oxford and his return to Tasmania via his association with the Workers Education Association. Copland’s path to Tasmania was more conventional and via his mentor in New Zealand, Professor (Sir) James Hight who appointed himself to a newly created chair in history and economics at Canterbury College in 1909. Hight convinced Copland to switch from mathematics to economics. The last, and youngest member of the platoon, Roland Wilson was, like Giblin, a Tasmanian who was recruited by Copland after winning the ‘William Robert Giblin Scholarship’ established in memory of Giblin’s farther. Wilson studied economics at the University before winning a Rhodes Scholarship
to study at Oxford in 1925. Members of the platoon were on the selection committee and caused some raised eyebrows by awarding the scholarship to Wilson who was not from the traditional source of such scholars; the private secondary school system. But Oxford didn’t appeal and Wilson moved to Chicago where he came under the influence of Jacob Viner. In this sense he blazed the trail that has been followed by many leading Australian economists since. Like much else, the source of influence in economics has switched from the UK to America. At Chicago Wilson gained insights into the role of capital flows and the terms of trade that would later prove important for understanding the forces acting on the Australian economy.

The book outlines many episodes of the platoon or the various members at work but I will consider only a few of the more notable. The first is ‘The Australian Tariff: an Economic Enquiry’. This report, often known as ‘The Brigden’ report because Brigden is credited with writing it, exposed significant doctrinal distance between Brigden and Giblin (the Hobart Group) on the one hand, and Copland (the Melbourne Group) on the other. Giblin and Brigden were intent on making a case for protection as an exercise in ‘practical’ political economy while Copland, as a Professor of Economics, was intent on supporting the argument for free trade. Giblin, in particular seems to have been motivated by the drive to increase the political and public influence of the profession. Consequently, in the authors’ words: ‘The authorship of the report was protracted, difficult and unhappy’. After much frustrating debate, Brigden largely wrote the report, Giblin criticised, and Copland was placated by an appendix on free trade (which he wrote). Despite this ‘hard labour’ Paul Samuelson is of the opinion that some of the Australian experts (members of the platoon) independently stumbled on some implications of what has become known as the Hecksher-Ohlin-Samuelson model.

Another interesting episode in the history of thought mentioned in this book concerns the origins of the concept of the Keynesian multiplier. Giblin, as a fellow graduate of Kings, met Keynes on several occasions, was familiar with Keynes’s ideas, and sent him copies of his work. On the matter of the cross fertilization of ideas the authors make clear the priority of Giblin’s version of the multiplier over Kahn’s that is now acknowledged in the literature. However, they are unable to establish if Keynes, or any of his circle, were aware of Giblin’s work despite his close association with Kings and the fact that Giblin sent copies of his multiplier analysis to Keynes. Despite this contact the authors conclude that Keynes was not interested in discussing details of the multiplier with Giblin. This is puzzling. Despite this apparent lack of detailed discussion of the multiplier by Keynes, he was certainly familiar with Giblin’s analysis so I find it hard to believe that he did not take something of value away from the correspondence.

Nevertheless, the challenge facing the platoon in 1930 was not theoretical but practical. Practical policy advice in Australia was their focus, not the world of high theory. The pressing issue was what to do in response to a worldwide
recession that was spiralling out of control and threatening to pull Australia down with it. Here the multiplier provided additional insight into the magnitude of the threat but did not prompt an appropriate policy response. In September 1929 Brigden predicted that Australia’s national income would fall in the region of 10 per cent in 1930 as a consequence of a fall in export earnings. The authors also make it clear that Giblin was using the concept of the multiplier to calculate the positive impact on employment of government borrowing to spend on ‘useless’ public works such as shifting sand, and he sent these ideas to Keynes in the early 1930s. But, if the fiscal multiplier was understood, why were the policy implications of the multiplier neglected? Clearly, by 1930 Giblin had grasped the implications of the multiplier for fiscal policy. Why did this insight not translate into policy advice? The answer lies largely in the circumstances and the mind-set of the time. The circumstances rendered effective monetary and fiscal policy all but impossible. The mind-set was incapable of thinking about the behaviour of the economy as a whole. These themes are evident in the book but if I had one quibble it would be that they could be brought out more forcefully. But perhaps that would be a different book.

Part of the Keynesian mythology associated with the Great Depression is that classical economists gave the wrong advice by advocating expenditure cuts and tax increases when those policies simply made matters worse. It is true that under the circumstances those policies make matters worse and Giblin and the platoon essentially followed the classical recipe with ‘The Plan’, sometimes known as the Copland Plan, in response to the deep recession of 1930. Essentially ‘The Plan’ consisted of a restrictive fiscal policy, a reduction in the Federal deficit from £39m to £11m achieved through a £13m cut in outlays and an £12m increase in taxes. Also associated with this advice was the recommendation that wage cuts would stimulate employment and increase aggregate ‘wage income’. Remarkably, the Labour Party at the time attempted to implement the policy and was promptly thrown out of office! To his credit Copland followed his own policy advice and took a 25 per cent salary cut from the University of Melbourne.

Yet, despite the political disaster, Giblin and his platoon were lauded in academic circles around the world. Keynes publicly hailed the deeds of Giblin and Copland and Copland was invited to Cambridge to deliver the inaugural Marshall Lectures in 1933. He received a similar invitation from Harvard in 1936. There is however, some suggestion in the literature that Copland may have over-promoted the ‘Copland’ dimension to the ‘Copland Plan’. Later assessment of the plan, also known as ‘The Premiers’ Plan’, concluded that economists had little influence on its content, Schedvin (1988) and Gregory and Butlin (1988).

How do we explain the different receptions? The simple fact is that at the time nobody had a complete theoretical understanding of what had gone wrong. Furthermore, the machinery of economic management was non-existent or in disarray in the early 1930s. In The United States the Federal Reserve behaved in a dysfunctional fashion and in Australia there was no central bank. Monetary
policy, such as it was, had to be ‘negotiated’ with all the private banks. Furthermore, many have commented on the fact that at the time the level of economic literacy in the civil service was very low. In such an environment ‘economic policy’ as we understand the term today, simply did not exist. The book makes it clear that the lasting contribution of the platoon was the role they played in changing that.

In Australia the platoon made significant contributions to the creation of institutions that were to play an essential role in fostering economic understanding and promoting development. These contributions included the establishment of Economics Departments and Commerce degrees in Tasmania, Melbourne, and the ANU; the establishment of the Australian Economic Society in 1924 and shortly thereafter the Economic Record as the voice of the profession. The first edition appeared in November 1925. The stress on empiricism was pervasive then and is still evident today. The Economic Society was then instrumental in establishing the Bureau of Economic Research that, despite opposition from protectionists, began operations when the Economic Research Act was passed on 22 March 1929. But it failed to get off the ground after a change of government.

The external pressure on the platoon and its members arose directly from their drive to increase the influence of the profession by engaging in public debate in an attempt to influence public policy. This was a growing phenomenon in Europe and the United States, and Keynes provided an obvious role model for his fellow Kings graduate, Giblin. In this respect the platoon seems to have adopted a vision of a ‘publicly regulated but privately owned economy’ that had much in common with Keynes’s own vision as he moved beyond laissez faire without succumbing to the lure of the ‘isms’. But taking an active role in public policy comes with a price — increased public scrutiny and personal pressure that comes with getting caught up in the political hurly burly. Making political concessions does not sit well with the academic mind-set. Judging by Keynes’s track record, offering sound policy advice does not always make an impression on the political powers. The platoon often suffered the same fate. Stress took its toll, particularly on Brigden and Copland.

This review does little more than convey the flavour of this book about the lives and ideas of Australia’s first economists. There is much else, including the contribution by Wilson to the discussions surrounding the formation and Australia’s membership of the IMF that I have not considered. The book is rich in detail and conveys an image of a world and men long gone while at the same time revealing how the institutions and analytical tools they helped forge are still relevant to the performance of Australia’s resource based economy in the 21st century. Giblin’s Platoon is an important and insightful contribution to Australia’s intellectual history and I strongly recommend it to all students of Australian economic history and economic thought. Sadly, my only serious complaint about the book concerns its manufacture — it is falling to pieces! Will Australian manufacturing ever be competitive?
References


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