



A Keen Observer of Liberal Reform

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Former OECD Chief Economist David Henderson (1927-2018) was alert to growing threats to economic liberalism, writes Michael James.

In the mid-1990s, economic liberalism seemed likely to become the established policy consensus in Australia and New Zealand. Remarkably, centre-left political parties initiated the reform programs of the 1980s; their centre-right counterparts had not opposed them, and in New Zealand the national government elected in 1990 had carried through deeper fiscal and labourmarket reforms than anything seen to date in Australia. But would the still young reform drive continue? Or would the forces of the old protectionist regime reassert themselves?

Much of that debate was framed and promoted by David Henderson, who died on 30 September 2018, aged 91. David was a British-born economist with a special interest in economic liberalism. Chief Economist at the OECD from 1984 to 1992, in the second half of the 1990s he visited universities and think tanks in Melbourne and Wellington. With his seminar papers and publications he brought a valuable international perspective to the achievements and prospects of

the economic reform movement in our region.

David came to prominence as author of the 1985 BBC Reith Lectures. Here, he questioned Keynes's belief that the world was ruled mainly by the ideas of the economists and political philosophers, and argued instead that much government policy was guided by Do-It-Yourself Economics (DIYE); that is, simple-minded, widespread but fallacious ideas that economists had been refuting since the 18th century, such as that exports were enriching while imports were impoverishing, and that governments must determine and plan for economic outcomes. In Britain, DIYE had not significantly retreated in the face of the reforms of the Thatcher government.

Still, David was optimistic about Australia, at least initially. In a 1995 publication he concluded that the chronic underperformance of the Australian economy in the 1970s had generated among policymakers and policy analysts a consensus for microeconomic liberalisation sooner, more firmly and more broadly than elsewhere in the OECD. David noted that, "Over the years, the cause of reform was also, and increasingly, taken up both by financial journalists and in the publications of various private 'think-tanks'."

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In his judgement, in the 1980s Australia emerged as one of the leaders on the reform path; and although thereafter Australia no longer stood out, "on balance the momentum of liberalisation has been maintained".

Yet David's optimism was soon tempered by a growing awareness of new anti-liberal developments. In a book published in 1999 jointly by the Institute of Public Affairs and the New Zealand Business Roundtable, he identified three such developments: environmentalism, a drive to impose egalitarian outcomes in labour markets via affirmative action and anti-discrimination laws, and the spread of 'cultural studies' and anti-capitalist ideology in universities.

Resisting the post-cold war liberal triumphalism of Francis Fukuyama, he noted that "economic liberalism as such has no solid basis of general support". He concluded that although the economic reforms of the previous two decades were not likely to be reversed, the reform movement may well not progress further. In retrospect, David's judgment seems sound. If anything, he was still too optimistic.

David devoted his remaining working life to combating these new sources of anti-liberalism. In 2001 he produced for the New Zealand Business Roundtable a critique of the academic subject of business ethics.

He was a critic of the influential *The Economics of Climate Change: The Stern Review* (2006) and in 2007 he presented an assessment of it to the New Zealand Treasury. In 2009 he became the founding chairman of the Academic Advisory Council of the London-based Global Warming Policy Foundation.



To those who knew him personally, David was engaging and stimulating company. When debating his critics he displayed an old-fashioned combination of courtesy and intellectual integrity.

As an author he was an editor's delight, taking great care to express himself clearly and readably. Economists who are serious about combating DIYE and anti-liberalism generally should follow his example.

Michael James is a freelance editor and writer based in the UK and assistant editor of Economic Affairs. From 1994 to 1998 he was the founding editor of Agenda, the journal of the ANU's College of Business and Economics.