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as Cato's chairman? No. Had the regulatory leviathan been tamed? No. Had foreign adventurism been reduced? No. Ad infinitum. And Comrade Chickenfoot could protest all he wanted that he was just a little think-tank cog in the Great Beltway Machine, but the record was clear. Bill learned that in dealings with former students, as in the Beltway, when you're explaining, you're losing.

Afterward, in Bill's office, he asked me whether it really had been necessary to have everyone in the audience stand for the national anthem of the Soviet Union. In the Hayek Auditorium. Of the Cato Institute. As the very first use of the brand-new sound system.

Well, yes.

You're welcome, Bill.

He and I spoke virtually every week for decades, and I learned something from him every time. I cannot believe that I will be able to call him no more, and I betray no secret when I say that America is substantially poorer for his passing. May William A. Niskanen rest in peace, and may his memory inspire all of us to strive toward his standard of excellence.

Thanks, Bill.

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A Tough-Minded and Humane Man

BY DAVID R. HENDERSON

Having read Ben Zycher's wonderful tribute to Bill Niskanen, I realize that I did not know Bill nearly as well as Ben did. I saw Bill about once a year on visits to Washington, when I dropped in on him at the Cato Institute. Thus, my tribute is less to his personality and more to his intellect and accomplishments. As anyone who has read much of his work knows, Bill's writing reveals not only a first-rate intellect, but also an attractive personality and character. Part of that personality was a keen and somewhat self-deprecating sense of humor.

The main, though not the only, way that I'll show my respect for Bill is one that he would have appreciated: by reviewing selected parts of his last book, an excellent and eclectic collection of essays entitled *Reflections of a Political Economist* (Cato, 2008). Anyone who knew Bill knew he could handle criticism, so I won't hesitate to mention those few important points on which I disagree with him. Bill would have expected no less.

Straight talker | First, though, some personal reminiscences. I first met Bill at a Liberty Fund conference at Ohio University in June 1975. He was about to go to what I—and, I expect, he—thought would be a dream job: chief economist of the Ford Motor Company. I talked to him briefly one-on-one, and when I expressed my awe at his new position, he had an attractive “gee-

whiz, pinch-me” attitude rather than a snobbish one. As I later learned, that attitude was rare, particularly in Washington, D.C.

Seven years later, in August 1982, I started work for him and Martin Feldstein at the Council of Economic Advisers. I was the senior economist for health policy at the CEA, working mainly under Marty, but I also covered various issues in regulatory policy and reported to Bill on those. Then in my second year at the CEA, when, partly as a result of Ben leaving the CEA and partly because, with the end of price controls on oil and gasoline, energy became less of a problem—funny how that works—I took on Ben's energy portfolio. As a result, I reported to Bill more and got to appreciate his mind—and his integrity—up close.

Bill, although a political appointee, was not a “rah-rah, support-the-administration's-bad-ideas” political appointee. He called them as he saw them. That doesn't mean that he was always right; but he was almost always right.

One way I saw this integrity—and his sense of humor—early on was when he circulated the written speech he had given at the U.S. Chamber of Commerce in the fall of 1982. At the time, almost everyone thought we were still in a deep recession. I suspect that there was tremendous pressure within the Reagan administration for its top economic advisers to go beyond the data and be positive about the economy's prospects. But because the recession/recovery data always lag by months, no one knows whether the recovery has begun until months later. Bill thought the economy's prospects were good; he turned out to be right. But he, like everyone else, didn't know whether the recession had ended. (It turns out that it ended within a month of his talk.) Here is how Bill led off his speech:

The good news is that I think the recession is over. The bad news is that I thought that three months ago.

Interestingly, pretty much everyone who knew him noticed and commented on Bill's integrity. Even those on the attack, such as Ronald Brownstein and Nina Easton, commented with a favorable tone about Bill's outspokenness in their 1982 book, *Reagan's Ruling Class: Portraits of the President's Top One Hundred Officials*. Bill's outspokenness was so rare for a political insider that they had a special section in their write-up of him entitled, “Niskanen At Large,” containing pithy quotes from him on the issues of the day. The quotes, they wrote, reaffirmed his “reputation as a straight talker.”

Challenging popular ideas | Now to the highlights of his excellent book of essays.

One of the most informative and important of Bill's essays is his “R&D and Economic Growth: Cautionary Thoughts.” He leads with Bill Clinton's statement, “American history clearly demonstrates the importance of American leadership in science and technology to the future of our Nation.” Bill then writes:

I wonder to which American history President Clinton was referring. The United States had become the richest nation in the world long before there was significant “American leadership in science and technology.”

He then goes on to criticize “Bacon’s chain,” which is, quoting Bill, the following chain of reasoning:

[G]overnment financing is necessary to provide the adequate level of basic research, which is necessary to provide the scientific foundation for advanced technology, which accounts for a large part of economic growth.

He proceeds to work backwards from the last part of the chain to the first, blowing large analytic and empirical holes in each link of the chain. On the last link, he points out one of the dirtiest “unsecrets” of economists who study growth: even though we say that technology accounts for more than 50 percent of productivity growth, “‘technology’ is one of economists’ two favorite code words for what they do not understand.”

On the middle link, Bill points to evidence that, in the short term, “most technological innovation is based on other advances in technology, with little contribution from recent advances in basic research.” On the first link, he notes that economists have treated this claim as self-evident rather than establishing it empirically. He points out that “private finance was the largest source of support [of basic research] until the 1950s,” and that separate studies by two prominent economists, Edwin Mansfield and Zvi Griliches, found that firms’ profits depended on their own investment in basic science.

He also added insight to the debate on global warming. In a 1997 article, “Too Much, Too Soon: Is a Global Warming Treaty a Rush to Judgment?” he points out that the case for a global warming treaty depends on the accuracy of seven ideas:

- Continued increases in emissions of greenhouse gases will increase global temperatures.
- Such an increase in temperature will create more costs than benefits.
- Emissions controls are the most efficient means to prevent an increase in temperature.
- It is better to control emissions earlier than later.
- Emissions controls can be effectively monitored and enforced.
- Governments of the treaty countries will approve the necessary control measures.
- Controlling emissions in the rich countries several decades earlier than in the poor countries is desirable.

Bill shows why the case for any one of those seven statements “is surprisingly weak.” Although I can’t, in a short space, recount his serial reasoning, I’ll settle for noting one of his arguments. Concerning the costs and benefits of global warming, he writes that most of the global warming “is expected to be at night, in the winter, and in the high northern latitudes.” That means that heating costs would be reduced more than cooling costs would be increased.

Some 14 years after his article was written, the case for each of the seven statements is still quite weak. Interestingly, concerning international cooperation to reduce carbon emissions, the Canadian government withdrew from the Kyoto treaty in

December 2011.

In a more narrowly economic piece, “The Economic Burden of Taxation,” he presents a simple model of the U.S. economy, which he then estimates empirically. His shocking finding is that for an additional dollar of government spending to be worthwhile, the dollar must create \$2.75 in value. Concludes Bill: “One wonders whether there are *any* government programs for which the marginal value is that high” (*italics his*).

Battling the beast | One of the book’s essays for which Bill is best known is his 2006 “The Failure to ‘Starve the Beast.’” He criticizes the idea, articulated by economists Milton Friedman and Gary Becker and by politician Ronald Reagan, that the only way to cut the size of government is to reduce its revenues. This idea has driven the policy views of small-government Republicans at the federal level for at least the last quarter of a century.

There are three main problems with this view, notes Bill:

- As an economic theory, it’s implausible.
- The evidence is against it.
- It diverts attention from the tough job of achieving political reforms to rein in government spending.

He presents evidence that, for every percentage point increase in federal government revenue, federal spending as a share of GDP *fell* by one seventh of a percentage point, the opposite of what the “starve the beast” view would predict. That makes sense. Most people see taxes as the “price” of government. When taxes increase, the amount of government that people demand falls.

While himself a huge contributor to the “public choice” analysis of government, especially of bureaucracy, Bill does not hesitate to highlight the failings of public choice. In a 1998 book review of public choice essays, he points out that one of the key phenomena to explain is why government grew significantly in so many countries in the 20th century. His conclusion:

Public choice does not contribute much to understanding the most important general political event of our lifetime.

Though a microeconomist by training and inclination, Bill had good insights about some major macroeconomic issues. Consider his 2005 article, “Alternative Political and Economic Futures for Europe.” In 2005 the economic situation in Europe looked much calmer than it does today. He wrote, “My own guess is that the European Monetary Union will not survive 10 more years.” Given all the turmoil in the European Union these days, how’s that for a prediction?

In another 2005 piece on Europe, “Advice from a Friendly American,” he makes critical comments on a proposed constitution for Europe:

One sentence [of the proposed constitution] alone, for example, commits the Union to “work for a Europe of sustainable development based on balanced economic growth, with a social market economy aiming at full employment and social progress,” a sentence that includes at least five undefined terms.

That is Bill's dry, pointed humor at its best.

He was also a perceptive and fair critic of other economists and economic writers. His reviews of Paul Krugman's 1996 book, *Pop Internationalism*, and of Robert Kuttner's 1997 book, *Everything for Sale: The Virtues and Limits of Markets*, are two cases in point. About Krugman, Bill writes that he has "wisdom beyond his years" (Krugman was only 43 when the book was published), that he is "a creative writer and a brilliant analyst," and that "he can be as arrogant when he is wrong as when he is right." That's a nice summing up of Paul Krugman circa 1996.

In his review of Kuttner's book, Bill writes:

Robert Kuttner may be the most thoughtful, best informed writer about economics on the American left. He is also profoundly wrong about many issues.

Foreign policy | Niskanen was one of the first to criticize George W. Bush's case for war with Iraq. He spoke out against it in December 2001. His article, "An Unnecessary War Is an Unjust War," makes the case tersely.

On the cold war, though, I think Bill was wrong. In a 2005 speech, "A Reflection on the Major Developments in the World, 1951–2000," he writes:

We should remember and honor those political leaders who initiated or sustained the measures that made it possible for the West to prevail in the Cold War: Truman and Reagan, Churchill and Thatcher, Adenauer and Kohl.

There are two problems with this claim. First, the evidence that the Soviet Union fell due to the efforts of those six political leaders is actually skimpy. Second, I do not think there needed to be a cold war because the Soviet government, while a horrible threat to its own people, was not much of a threat to the United States or even to Western Europe. Perhaps the older Bill Niskanen who saw through the rationales for the Iraq war, if he had taken a fresh look at the cold war, would have agreed with me.

Surprisingly, given his strong understanding of the benefits of free trade, Bill makes a simple error in discussing those benefits. In the earlier-mentioned "Alternative Political and Economic Futures for Europe," he writes, "[M]any of the poorer nations of the world have little reason to accept the exports and investments by the industrial countries if they cannot sell us their agricultural products." That's false. Barriers to imports of their agricultural products do hurt them: there's no doubt about that. But accepting "our" exports and investments would definitely *help* them whether or not we have barriers against their products. This is a small error, though, relative to the numerous insights in this book.

Bill's book is a keeper, especially since it will be one of our main reminders of a tough-minded and humane man. I will miss him. R

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I am a small-scale landscaper, but the government demands I spend 3,000 hours to get a license to spray a weed killer that anyone can buy in a hardware store.

I am fighting big government's efforts to help big business by weeding out the little guys like me.

I am IJ.

Gary Rissmiller
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