



TAX POLICY BLOG

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William Niskanen: Pioneer in Public Choice

by [William McBride](#)

[Cato](#) informs us of the very sad news that Bill Niskanen has passed away. While he served in many roles, including chair of Reagan's Council of Economic Advisors, he is best known among economists as an early contributor to [public choice](#), which is the application of the economic way of thinking to political behavior.

Prior to public choice, modern economists treated government as a black box. The role of economists had been reduced to identifying market failure and offering a government solution, however, without any regard to government failure. Niskanen, and a small group of researchers including [James Buchanan](#) and Gordon Tullock, set about to change that. Among other accomplishments, Niskanen developed one of the [standard models of bureaucracy](#), in which the main goal of bureaucrats is to maximize their budget.

The following is from an [article](#) that Bill wrote for the Tax Foundation in 1971, regarding the incoherence of the federal budget process:

"Governments, however, do not face the conditions that make the economic calculus and good accounts relevant to a business firm. There is no objective valuation of the output or measurement of profits. In addition, there is no frequent objective indication of the overall performance. A government, in effect, is a non-profit monopoly that provides services to its members at a zero price, is financed by lump-sum charges, and makes its budget decisions on the basis of information about cash disbursements and the anticipated vote of the members. New methods for government budgetary choices, to be valuable, should focus on these unique characteristics of government."