

The Telegraph

William Niskanen

William Niskanen, who has died aged 78, was one of the architects of “Reaganomics” — the economic programme, pursued by Ronald Reagan in his early years in the White House, based on reducing public spending, taxes and government regulation, and controlling the money supply.



William Niskanen Photo: DAVID BRABYN

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As an academic economist, Niskanen was best known for his contributions to public choice theory, a field that examines the choices made by bureaucracies based on the assumption that public officials, like private sector businessmen, generally act in their own self-interest. His main contribution, set out in *Bureaucracy and Representative Government* (1971), was to propose a general rule of thumb, known as the budget-maximising model, that bureaucrats will always attempt to maximise their own budgets and power.

After Reagan appointed him a member of his Council of Economic Advisers (CEA) in 1981, Niskanen frequently crossed swords with members of the administration, notably Treasury Secretary Donald Regan, whom Niskanen

later described in his memoirs as “a tower of jelly”.

In the run-up to the presidential election of 1984, Niskanen caused a stir when he suggested that one reason why men tend to be paid more than women in comparable jobs was that women interrupt their careers to raise children. The Democratic presidential nominee, Walter Mondale, declared that this reflected the Reagan administration’s dismissive attitude towards women. Reagan’s subsequent failure to appoint Niskanen chairman of the CEA led him to resign in 1985.

In *Reaganomics: An Insider’s Account of the Policies and the People* (1988), Niskanen regretted the administration’s failure to curb public spending. “In the end,” he wrote, “there was no Reagan revolution.”

William Arthur Niskanen was born on March 13 1933 at Bend, Oregon, and educated at Harvard and the University of Chicago, where he studied under Milton Friedman .

Niskanen went on to teach Economics at the University of California at Berkeley, where he became a professor. During the 1960s he worked with the Rand Corporation and was one of the Pentagon “whiz kids” who helped Kennedy’s Defense Secretary Robert McNamara introduce cost-benefit analysis in defence planning. He went on to serve as head of the Program Analysis Division of the Institute for Defense Analyses. There he led a project which concluded that the airbus would be a better investment than supersonic aviation.

In 1975 he was recruited by Henry Ford II to become the car manufacturer’s chief economist, but soon came up against Ford’s conformist corporate ethos. With the oil price hikes of the 1970s, Ford found that the market for American gas-guzzlers was being undermined by the import of smaller, fuel-efficient vehicles from Japan. In 1979 the company lobbied the federal government to impose quotas on imported cars, warning that tens of thousands of American jobs were at stake.

Niskanen was furious. Japan could not be held to blame for Ford’s own failure to cater to the public demand for smaller, more fuel-efficient vehicles, he told executives. Meanwhile, its demand that the government impose import duties on Japanese cars was not just bad economics, it was immoral: “A common commitment to refrain from special favours,” he wrote in a memo, “serves the same economic function as a common commitment to refrain from stealing.”

The message was not one that Ford executives wanted to hear, and Niskanen was abruptly dismissed: “I was told, ‘Bill, in general, people who do well in this company wait until they hear their superiors express their view and then contribute something in support of that view.’” Niskanen recalled in 1980.

After leaving the Reagan administration, Niskanen joined the Cato Institute, the libertarian research organisation, where he served as chairman from 1985 to 2008.

William Niskanen’s first three marriages were dissolved. He is survived by his fourth wife, Kathryn, and by three daughters .

William Niskanen, born March 13 1933, died October 26 2011

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