

Keynes, Klaus, and the role of government  
in the Cato Journal

## In Memory of William A. Niskanen

The Fall 2012 issue of the *Cato Journal* is dedicated to the late William A. Niskanen, distinguished senior economist and chairman emeritus of the Cato Institute, who passed away on October 26, 2011. As Nobel laureate Vernon L. Smith once wrote, Niskanen was “a great American scholar, admirably independent, whose role I cannot imagine being adequately filled by anyone else.”

The issue opens with a revised lecture Niskanen planned to give in Madrid in 2011, in which he assesses the major political and economic futures for Europe, as well as the considerations that come to bear on these alternatives. Perhaps the best general guidance, he notes, was offered by Václav Klaus. “No costly, freedom-constraining uniformity, harmonization, and centralization should be part of it,” Niskanen writes, echoing the Czech president’s words, “nor any obligatory ‘European’ ideology.”

Dwight R. Lee looks at the serious problems undermining Keynesian hopes for moderating the decline, duration, and frequency of economic downturns. Because Keynesian remedies are filtered through a political process and almost entirely focused on short-term demand-side concerns, he argues, they end up being “a prescription for fiscal irresponsibility.” They are, in the end, just another example of “bad economics making for good politics.”

Elsewhere in the issue, Deepak Lal finds that the new development economics is “just the old ‘development economics’ refurbished with mathematical bells and whistles,” while James A. Dorn considers first principles in order to delineate the legitimate functions of government in a free society.

Other notable contributors include David Cronin on “The New Monetary Economics,” Masoud Moghaddam on “Starving the Beast Revisited,” and Bruce K. Gouldey and Clifford F. Thies on “Asset Bubbles and Supply Failures: Where Are the Qualified Sellers?”

The Fall 2012 issue concludes with reviews of books on the grip of global finance, the argument for nuclear-weapons abolition, China’s response to the recent economic downturn, and the contribution of America’s “warfare state” to big government, among others. ■

All of these articles are available online at [www.cato.org](http://www.cato.org).



# Cato News Notes

## CATO WELCOMES VÁCLAV KLAUS

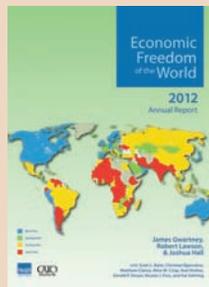
The Cato Institute is pleased to announce that Václav Klaus, the president of the Czech Republic, will be joining the Institute as a distinguished senior fellow after his second term ends in March. Often referred to as the “Margaret Thatcher of Central Europe,” Klaus began his political career in December 1989 when he became his country’s minister of finance.



As co-founder of the Civic Democratic Party, Klaus is well known for having insisted on establishing the legal and institutional framework for a stable, modern free-market economy in the Czech Republic. Thanks in large part to his efforts, today the Czech Republic is no longer behind the Iron Curtain or mired in post-Soviet socialism. We are delighted to welcome President Klaus to the Institute.

## AND WE’RE FREE...FREE-FALLING

America is officially in trouble. According to the *Economic Freedom of the World: 2012 Annual*



*Report*—co-published by the Cato Institute, the Fraser Institute, and more than 70 think tanks across the globe—economic freedom in the United States has plummeted to an all-time low. “From 1980 to 2000, the United States was

generally rated the third freest economy in the world, ranking behind only Hong Kong and Singapore,” the new index reports.

The country now ranks 18th—a precipitous drop from its previous leadership role. This loss of freedom is a decade-long trend—the United States ranked 8th in 2005 and 10th last year—that has accelerated in recent years. The authors calculate that the loss of economic freedom will cut long-term U.S. growth by half, to about 1.5 percent per year.