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Mitch Daniels Fails to use Benefit-Cost Tests when they demonstrate an Inconvenient Truth

By *William K. Black*

Created 05/15/2011 - 1:53am

Posted on 05/15/11 at 1:53am by [William K. Black](#) [1]

This is the third article in a series of pieces discussing the claim by a Cato scholar at CIFA's recent meeting in Monaco that formal benefit-cost tests by economists were essential to prevent regulatory excess. The second column focused on a portion of a speech in 2002 by Mitch Daniels, then President Bush's Office of Management and Budget (OMB) director to the Competitive Enterprise Institute ([CEI](#) [2]). Daniels is the nation's leading proponent of benefit-cost tests, and the purpose of his speech was to advance arguments in favor of OMB economists' use of benefit-cost tests to block the adoption of regulations. The second column discussed Daniel's use of a "mistress metaphor" to explain why economists' formal benefit-cost tests are vital. This column focuses on Daniels' dismissal of benefit-cost analysis when it demonstrates an inconvenient truth.

A word about Daniels' host is in order to understand the raucous laughter his misogynist memes about how wives should not object to their husbands taking a mistress produced among his audience. The CEI is a group funded by the usual anti-regulatory firms. CEI's mission is to oppose regulation. I wrote in my first column of the embarrassing spectacle of theoclassical economists (with a track record of getting economics disastrously wrong) trying to become amateur climatologists denying global climate change. CEI, largely funded by Exxon, and acting through a non-scientist (much less a climatologist) exemplifies this embarrassment. What's particularly humorous is that CEI decries "junk science." What I didn't learn until researching the context of Daniels' speech to CEI is that he too is an amateur climatologist.

Daniels relies primarily on Michael Crichton, a deceased science fiction writer who was not a climatologist or related scientist, as his authority for the assertion that global climate change is a fiction, or unrelated to human activity, or desirable, or whatever is the next desperate dodge of science. On May 30, 2009, Governor Daniels gave the commencement address at Rose-Hulman, a superb school emphasizing math and science in Indiana. The address contains the usual, and in the case of Rose-Hulman, fully justified odes to the need for scientists to bring their expertise to bear on scientific problems that "our politicians" do not understand. The address even has an ode to benefit-cost studies – just before a politician (Daniels) who lacks any

scientific expertise and does not “understand” complex scientific issues declares that it takes “courage” for him to deny global climate change even though he lacks any scientific basis for his denial. And he wants the grads to know that he is really, really upset that people criticize him for his theocratic, non-scientific rejection of climatologists' research findings. He asserts that the scientists, writing in their area of expertise, are from “Hollywood” and are “Ayatollah[s].” Well no, actually, but then Daniels had just warned his audience that politicians do not understand scientific issues and are want, in the inimitable words of Senator Kyl to make claims about their opponents that are “not intended to be a factual statement.” Or, as Daniels put it in his address: “When I say these things, that's just one more politician spouting off.”

“The issues that now face our country often require a technical understanding, or a grasp of statistics, or cost-benefit analysis, or an appreciation of the scientific method with which the general public is not equipped, and which our politicians neither understand nor particularly want to.

Let's take just one example. A relentless project has inundated Americans for years with the demand that we must drastically reduce the carbon dioxide we emit as a society. It is asserted that the earth is warming; that this warming would have negative rather than positive consequences; that the warming is man-made rather than natural; that radical changes in the American economy can make a material difference in this phenomenon....

Although there are scientists, and scientific studies, that are deeply skeptical of all these claims, they are rarely heard in what passes for public debate. The debate, so far, has been dominated by “experts” from the University of Hollywood and the P.C. Institute of Technology.”

Joining this discussion will require more than technical competence; it will take courage, too. In what has become less a scientific than a theological argument, anyone raising a contrary viewpoint or even a challenging question is often subjected to vicious personal criticism. Any dissident voice is likely to be the target of a fatwa issued by one Ayatollah or another of the climate change theocracy, branding the dissenter as a “denier” for refusing to bow down to the “scientific consensus.””

One can see from this address why CEI was a totally safe venue for Daniels. But what happened to benefit-cost analysis in Daniels' discussion of global climate change? The benefits of controlling global climate change, according to what even Daniels' concedes in his speech is a consensus of climatologists, are exceptionally large. Daniels could argue that the costs of limiting global climate change exceed those benefits, but that is not what he argued in his commencement address. (For good reason, he would be hard pressed to demonstrate that the costs exceeded the benefits.) Instead, he argues that we should disregard the experts' consensus because doing so is congenial with Daniels' anti-governmental ideology. If the OMB economists can pick and chose their science whenever there is any scientific dispute – even where there is a scientific consensus – then benefit-cost tests become a sham designed to hide the fact that their anti-regulatory ideology. Mitch Daniels abandoned sound benefit-cost analysis on global climate change because it would have demonstrated an inconvenient truth – government intervention is essential to restrict global climate change.

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Bill writes a column for Benzinga every Monday. His other academic articles, congressional testimony, and musings about the financial crisis can be found at his [Social Science Research Network author page](#) ^[4] and at the blog [NewEconomic Perspectives](#) ^[5].

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