

CLARE BOOTHE LUCE POLICY INSTITUTE



by Karen DeCoster

The politicians who conjured up the 'Cash for Clunkers' megaflop have illustrated how unhinged they've become in the quest to plan and control every facet of the U.S. economy. These are the same people seeking to control your health care.

On July 31, 2009, the Cash for Clunkers program went kaput when the cash tank ran dry only one week after it commenced. Media reports about the lack of funds available to continue the program dominated the morning news.

Just hours after these reports appeared in the press, the negative spin in the media came to a halt after embarrassed politicians huddled and plotted, and then they announced that Congress had just voted to refill the Cash for Clunkers trough by transferring \$2 billion in emergency funds from a renewable energy loan guarantee included in the economic stimulus package. It is a classic example of the failure of centrally-planned government policy.

CALCULATING SUCCESS

Yet despite running out of dough and leaving dealers high and dry with substantial backlogs in processing clunker rebates, the Cash for Clunkers program was consistently pronounced a success.

House Speaker Nancy Pelosi declared success because it exceeded its environmental targets, even though her assertions were never quantified. The president's administration proclaimed success because the car purchase incentives were improving overall vehicle mileage and giving a "timely, temporary and targeted jolt to the economy." Transportation Secretary Ray LaHood maintained that success was achieved because new vehicle sales increased. AutoNation, Inc's CEO and Chairman said the

program was a "huge success" since it spurred sales for *his* chain of dealerships, the largest in the U.S. (His comment serves as a good reminder to be skeptical of corporate cheerleading for any government-subsidized programs.)

In short, it was typical *political speak* to intentionally obscure facts and definitions. Whereas businesses within the free market gauge success and failure through the unambiguous means of profit and loss, the government determined "success" for its clunkers program by way of undefined, arbitrary statements and a temporary increased consumer demand for government-subsidized goods.

At the same time bureaucrats were celebrating the success of Cash for Clunkers, the program's head cheerleader, Transportation Secretary Ray LaHood, refused to release relevant data that would substantiate White House claims about the program's accomplishments.

DESTROYING PROPERTY

In the process, the United States government undertook the destruction of property in the name of stimulating the economy. The politicians who created this mess for the benefit of their strategic political allies did not give a single consideration to the economic distortions this program would trigger.

Car dealers were advised to replace the engine oil in the trade-in vehicles with a lethal sodium silicate solution and run the engines until seizure and ruination took place, assuring that the scrap dealer would get a perished vehicle. The used car market, which was already feeling its warts due to a decelerating economy, is experiencing lower sales due to lower inventory because clunkers turned in immediately became shredder material.



AP Photo of Taxpayer Protest in Washington DC on September 12, 2009

This leaves people who need affordable cars with fewer options. The supply of available used autos is shrinking, and low-priced vehicles have become more costly to purchase as a consequence. Auto parts recyclers are also hit because prime parts are being crushed instead of being salvaged and resold. The people that the Obama regime purports to represent—the poor and middle class—have been adversely affected by the government’s destruction of low-cost, used automobiles.

One enormously flawed claim by proponents of the clunkers program

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is that it allowed consumers to use a voucher to purchase a car of their choice, and was, therefore, free of political influence and/or direct government planning. This has no basis in fact. The government directed the allocation of funds upfront by selecting the industry that would receive the subsidies, and the administration in power set the rules for allowable purchases under strict guidelines that induced the consumer to purchase smaller, more “green friendly” automobiles that conform to its long-term, environmental ambitions.

The program was little more than a political redistribution of wealth from the people of America to politicians’ power base that includes

unions, environmentalists, and social justice bulldogs. Along the way, a few select people who fell within certain purchase guidelines received a generous discount for turning in their paid-off cars in exchange for a new chunk of steel and a large chunk of debt. As with most government programs, a select group of people became empowered or enriched while the general population paid the bill.

Additionally, the political pandering and destruction of property that benefited selected interest groups adversely impacted charities that thrive on used car donations, such as

Goodwill Industries International and smaller local charities. Since dealers were required to disable the cars, the vehicles could not be given to charities that support the impoverished.

CONSUMER ‘CON’FIDENCE

The media has been filled with foolish debate over whether or not the program spurred sales, raised average fuel economy, reduced pollution, or saved on car repairs. However, proponents of this rip-off don’t bother to mention that though potential repair costs on older cars may be gone, newer cars require car payments and will also eventually require their own repairs.

The same careless spending habits that drove people to the brink of debt

disaster are driving their current lust to buy a new car, especially one with a huge discount attached to it. How many people in the clunkers program are being cajoled by the temptation, yet cannot afford to absorb the new car payment into their budget? Will the government produce loan default statistics in one, maybe two years from now?

All the while, media talking heads are claiming that the clunkers program restored consumer confidence. Mainstream economists and their media apostles are equating willingness to buy heavily discounted automobiles with confidence in the overall economy. But when people are persuaded to start splurging again, on stuff they don’t need with debt they can’t afford, in order to receive a discounted price, that’s hardly a confidence move.

Lastly, it shouldn’t be forgotten that these same politicians and bureaucrats who don’t understand how to calculate success, comprehend value, or define efficiency—and then enthusiastically destroy useful property—are the same bunch of people that want to take charge of your health care.



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