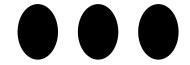




A Logic Deficiency About Fuel Efficiency

Setting aside for the moment the question of whether reducing auto emissions would have any effect on global warming (see "A Cooling Trend Toward Global Warming"), there is a problem with the logic of arbitrarily mandating higher fuel efficiency standards. The federal government's declaration of any particular miles-pergallon rating does not magically make that rating achievable without some serious tradeoffs.



For instance, the May 19 Reuters article entitled "Green 'gold rush' seen in new U.S. auto standards" states: "To improve fuel efficiency by as much as 40 percent, major automakers will need to order a lot more turbochargers, more advanced lithium-ion batteries and more electric motors for cars and trucks already under development." The Obama administration "has said the efficiency upgrade could cost just \$1,300 per vehicle and consumers could look to recoup much of that by spending less on fuel."

Considering the current economic downturn, it boggles the mind how President Obama can so easily dismiss an upfront price hike of \$1,300. While new car owners would hope to make some of their money back through decreased fuel consumption, many of them will also be paying interest on the extra \$1,300 they were forced to borrow. And this doesn't even take into account that the figure of \$1,300 is disputed. According to Reuters, "Sandy Stojkovski, an engineering and fuel economy expert at auto industry consulting firm Ricardo, estimated it could cost consumers between \$5,000 and \$12,000 more per vehicle under the federal fuel economy targets."

Reuters notes how this cost can be offset: "With General Motors Corp and Chrysler LLC operating under government funding, analysts ... expect demands for large new subsidies to automakers and incentives to get consumers into greener and smaller cars." Now the consumer can not only pay an extra \$1,300 for a more fuel-efficient vehicle, he can stand by and watch some of his hard-earned tax dollars go to automakers, which he may have no desire to support, or be given as an incentive to help someone else buy one of those "greener and smaller cars."

Speaking of "greener and smaller cars," Reuters mentions that Charles Bradford, an Affiliated Research Group analyst, expects "the steel content in vehicles to drop, while aluminum and plastic usage would rise. That is bad news for some because the auto industry is the second biggest user of steel, behind construction." It is also bad news because less steel almost invariably means less safety.

In "Safety could suffer if we boost mileage by making cars smaller," USA Today reported on May 20



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that "the National Academy of Sciences, Insurance Institute for Highway Safety, Congressional Budget Office and National Highway Traffic Safety Administration have separately concluded in multiple studies dating back about 20 years that fuel-economy standards force automakers to build more small cars, which has led to thousands more deaths in crashes annually."

Thus the true cost of illogical federal regulation becomes that much easier to see, while the true motivation for the plan was hinted at by none other than California Governor Arnold Schwarzenegger in the *Los Angeles Times* May 20 article "Behind the scenes of the auto emissions deal": "All of a sudden, the car manufacturers needed ... the taxpayers' money. So in order to get that help, I'm sure that President Obama said: 'OK ... here's what you need to do.'"

As usual, what Big Government subsidizes, it controls. Perhaps there is logic to be found here after all.





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