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WSJ Column: Higher gas taxes better strategy than CAFE to save GM

by **Sebastian Blanco** on Jul 6th 2009 at 6:30PM



2009 Chevrolet Cruze - Click above for high-res image gallery

Ford Executive Chairman [Bill Ford](#) and [AutoNation CEO Mike Jackson](#) were just two voices that spoke out in favor of a higher gas tax earlier this year. While we took the Cato Institute's [Alan Reynolds](#) to task for [muddying the waters of the "Toyota-licensed hybrid Fusion"](#), there's reason to look deeper at his argument (published in *The Wall Street Journal*) which maintains that a higher gas tax isn't just a good way to encourage sensible car purchases, it also stands to be helpful in saving troubled domestic automakers like General Motors. Reynolds writes:






The federal fuel tax is highest on the most efficient fuel (diesel) and below zero on the least efficient fuel (ethanol). Cars get about 30% better mileage on diesel than on gasoline, and cars running mainly on gasoline get about 30% better mileage than they would using 85% ethanol.

To stop distorting consumer choices, simply apply the same 24-cent-a-gallon federal tax to gasoline and ethanol as we do to diesel. This would add funds to the depleted federal highway trust. More importantly, it would remove an irrational tax penalty on buying diesel-powered cars -- arguably the most cost-effective way to improve mileage without reducing car size or performance.






Since GM, already on the government dole, sells (proportionally) so many large vehicles, it will need to sell more smaller or diesel-powered vehicles to offset its truck fleet and to meet upcoming CAFE standards. Reynolds doesn't think CAFE is a good idea, and claims there's a better way to make sure GM survives. Reynolds says that a higher gas tax would allow the Detroit automaker to keep building the cars it builds best ("midsize and large sedans, sports cars, pickup trucks and SUVs"). Only by upping the gas tax and totally scrapping CAFE, Reynolds says, will GM not be forced to take even more money to survive – and to pay the CAFE fines it's sure to acquire. Doing so would also allow The General to not waste "more taxpayer money on 'retooling' to produce unwanted and unprofitable subcompacts and electric cars."

Paris 2008: Chevrolet Cruze

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