

STOP GOOGLE'S TAKEOVER OF ITA. Keep travel search competitive.




FIND OUT HOW THE DOJ CAN STAND UP FOR **FAIR** SEARCH

THE DAILY CALLER

[PRINT PAGE](#)

Jumpstarting the electric car market

By [Brian Koenig](#) 5:32 PM 02/24/2011



GOOGLE + ITA

= TRAVEL SEARCH MONOPOLY

Tell the DOJ to protect consumers.

Challenge the deal.

LEARN MORE ABOUT **FAIR** SEARCH

ADVERTISEMENT

Despite having already sunk millions of dollars into the “environmentally friendly” car market, Washington is pedaling the [gas](#) for more. In his 2011 State of the Union Address, President Obama vowed to “break our dependence on oil” and said that the U.S. would “become the first country to have one million electric vehicles on the road by 2015.” Though this may just be an arbitrary ploy for environmental romanticism, the president believes that market sovereignty is only achieved through government assistance.

Obama’s recent budget proposal includes a request to Congress to turn the current \$7,500 tax credit into an on-demand rebate offered to consumers who purchase an “advanced technology vehicle,” such as the Nissan Leaf or the Chevy Volt, [cars](#) that are more fuel efficient than most of today’s vehicles.

Over the past year, the government has invested \$2.4 billion in research and development to improve EV batteries and another \$300 million in grants to communities working to reduce petroleum use. In addition, a special government program is now being discussed that would provide thousands of free charging stations across nine states, a subsidized \$37 million green artifice run by Coulomb Technologies. The goal is to keep current [electric car](#) owners content and entice prospective buyers to purchase fuel-efficient vehicles.

The problem is that electric cars only appeal to a small demographic group, which will probably be the case for a while. Deloitte Consulting interviewed industry experts and 2,000 potential buyers and found that within the next 10 years, only “young, very high income individuals” — those making more than \$200,000 a year — would even be interested in purchasing an [electric car](#).

Yes, people like the idea of owning a car that is “environmentally friendly,” but they are not ready to fork over \$40,000 for a slower, smaller, less attractive vehicle at twice the expense. Case in point: a 2011 Chevy Volt sells for \$40,280; a Mercedes-Benz C350 sells for \$39,990.

Even Bill Reinert, the manager of Toyota’s advanced technology group and one of the lead designers of the , concedes that plug-in hybrids are a “niche of a niche,” as they account for a mere three percent of US car sales.

The question is not necessarily whether electric cars are the future (they very well could be); it is how and when they will capture the market — and the ethics behind who funds the engineering and marketing of them. Currently, the government covers a large portion of the bill: the engineering comes through subsidies and the marketing comes through consumer tax credits.

Should the government, and ultimately taxpayers, subsidize the electric car market? The issue is not only whether subsidizing electric cars is fair but also whether subsidizing electric cars is a good use of taxpayer money. “I have never seen an industry that receives subsidies for any period of time like this that didn’t fail and then cost taxpayers even more,” says David Littman, a senior economist at the Mackinac Center for Public Policy.

Skeptics like Littman argue that an industry that is unable to attract private investment is an industry that either has no future or is not ready to penetrate the market. Take for example the Nissan Leaf, an all-electric car that takes eight hours to charge and has a range of only 100 miles. As the Cato Institute’s Patrick Michaels has put it, “If they could easily make money from it without a federal subsidy, they would be there. Obviously, they don’t think there’s a big demand.”

The moment investors and private enterprises react — without government assistance — is the moment the electric car market expands. Market leaders and natural economic transitions determine a market, not government officials.

Brian Koenig is a political and economics writer who has been published in Real Clear Politics, The New American, and the St. Louis Post-Dispatch, among other national and local publications. Visit his website at www.briankoenig.com.

Recommend

61 people recommend this.

Article printed from The Daily Caller – Breaking News, Opinion, Research, and Entertainment: <http://dailycaller.com>

URL to article: <http://dailycaller.com/2011/02/24/jumpstarting-the-electric-car-market/>

Copyright © 2009 Daily Caller. All rights reserved.