Out of gas

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Columnist

(Aug 7): The rise and astoundingly quick fall of the federal government's Cash for Clunkers program should remind all Americans why government run health care would be an unmitigated disaster.

For those who somehow missed the deluge of auto dealer advertising that accompanied the program's launch a week ago, the Cash for Clunkers program, more formally known as the Car Allowance Rebate System, or CARS, is a new and supposedly temporary federal program designed to encourage people to trade in their old gas-guzzling vehicles for newer, more fuel-efficient ones. That encouragement takes the form of cash rebates of up to $4,500 on the purchase of a new car, paid for by tax dollars from Uncle Sam.

The legislative masterminds who designed the program anticipated that the $1 billion of your money used to fund it would last until Nov. 1. The program, which was begun on July 24, ran out of money by the end of its first week. As I write this, supporters of the program are pushing for billions more in federal funding to keep the program going.

So what is to be learned from the nation's week-old experience with the Cash for Clunkers program?

First, that the program burned through all the money budgeted for it in less than a week illustrates yet again that government bureaucrats are fantastically bad at anticipating how much government programs will cost. Boston's infamous "Big Dig" project, for instance, was expected to cost taxpayers $2.3 billion to complete, but ended up costing more than $14 billion. According to the Cato Institute, when the federal government's Medicare Part A program was first created in 1965, budget writers at the time projected it would cost $9 billion by 1990. It ended up costing $67 billion by that point.

The bean counters in the Obama administration are no better. The president initially claimed that his health care plan would save so much money it would provide coverage to 50 million uninsured people without increasing the federal deficit. The Congressional Budget Office, though, calculated that ObamaCare would cost $1.3 trillion over the next 10 years, effectively doubling the national debt. Given the past performance of government number crunchers, even that staggering estimate is likely far too low.

There are also questions as to whether the CARS program is even doing what it is designed to do. The primary environmental goal of the program is a reduction in carbon output, for instance, but there is a possibility that the program will have little, if any, effect on overall carbon levels.

For one thing, the program requires that car buyers purchase new, rather than used, cars. The construction of a new car, though, produces an average of about 6.7 tons of carbon. Additionally, the so-called "clunkers" that are turned in as part of the program, whether in good running order or not, must be destroyed. This astonishingly wasteful provision of the new law has additional carbon costs of its own.

So will trading in a lower-mileage car for a higher-mileage one cut carbon output enough to offset the construction of one car and the destruction of another? Replacing an 18 mile per gallon car with a 22 mile per gallon car, as is allowed under the program, would save the average car owner about 150 gallons of gas a year, assuming 15,000 miles are driven. A hundred gallons of gas produces a ton of carbon, meaning that it will take four or five years for the carbon savings of higher mileage to pay off the carbon costs of the CARS program.

That the program doesn't make more environmental sense is a result of pressure from auto industry interests, most notably the United Auto Workers, which not only owns large shares of both GM and Chrysler, but is also an important Democratic Party constituency.

The UAW pressured lawmakers into setting the program's mileage requirements so low that most of the cars sitting on new car lots today would qualify for the program. Indeed, the primary though less stated purpose of the CARS program is to drive up demand for new cars, which it does through direct cash incentives and through the needless destruction of tens of thousands of perfectly good used cars.

Even the economic goals of the program are remarkably short-sighted. What will happen to the nation’s automakers when the CARS program runs out of money? We’ll find out soon enough, but one can bet that car sales will slump yet again.

In summary, if the CARS program sounds like a mishmash of ill-considered public policy and interest group payoffs, that is because it is.

ObamaCare will be as well. Like Cash for Clunkers, the government takeover of health care envisioned by the Obama administration will cost far more than is anticipated and will perform far worse than promised because powerful special interests will see to it that it does.

Where in the many thousands of pages of proposed health care legislation are initiatives to contain rising malpractice costs? Nowhere.

The nation’s trial lawyers, yet another important Democratic Party constituency, have made sure these reform bills will do nothing to limit their ability to sue doctors and hospitals.

The lesson? Government solutions to the problems we face are, as the legislative lunacy that is the Cash for Clunkers program amply illustrates, no real solution at all.

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