

OPINION: There ain't no free lunches

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The late economist Milton Friedman used to say that the insights offered by the discipline of economics can be summed up in a simple phrase: There ain't no such thing as a free lunch. The eternal desire of politicians is to disprove this simple maxim by trying to offer free lunches through the coercive power of government, but their efforts almost always reinforce its wisdom.

A current example is the decision by the Obama administration to tighten automobile Corporate Average Fuel [Economy](#) (CAFE) standards to require auto manufacturers by 2016 to build cars that get an average gas mileage, across an entire company's line, of 35.5 miles per gallon (39 mpg for passenger cars, 30 for SUVs, pickups and minivans).

What could be the problem? We'll get cars that get better mileage, pollution will be reduced, and the new caps on carbon dioxide will cure global warming - er, climate change. And aside from a little retooling in Detroit and Tennessee, much of which will be subsidized by the taxpayers, it won't cost a thing. What's not to like?

To someone driven by an agenda of utter hostility to petroleum products and a desire to punish recalcitrant U.S. motorists and transform the energy industry, this move makes some sense. For the rest of us, it's almost all costs.

Even the Obama administration concedes that these new standards, which will require the development of new models (only two hybrids now meet the 39 mpg standard), will add about \$1,300 to the price of the average new car, though some outside experts say it could be more like \$6,000 per vehicle. The administration also estimates that an auto industry in deep if not terminal trouble will see annual revenue decline by \$13 billion to \$20 billion.

The start-up costs for new models will be spread out, so even consumers who don't buy the new models will see prices rise for the cars they do buy.

Then there's the safety factor. The most obvious way to increase gasoline mileage is to make cars smaller and lighter. Smaller and lighter cars are more dangerous in accidents than larger, heavier vehicles. This is a fact of physics that can be mitigated by seatbelts, crash cages and airbags, but never can be undone.

When the first government-mandated fuel-economy standards went into effect in the 1970s, cars got smaller and lighter, and traffic fatalities increased substantially. The National Research Council estimated that the CAFE standards contributed to about 2,000 additional deaths per year. If these tighter standards lead to a similar increase in traffic deaths, that could mean more Americans killed each year due to President Barack Obama's new CAFÉ standards than have been killed during the [Iraq](#) war.

So cars will cost more, and automakers - which since the bailout are more wards of the state than companies oriented toward consumer preferences - will make the cars that government thinks we should want rather than the kinds of cars consumers actually want.

Hybrid and electric vehicles will give drivers less car for the money than gasoline-powered vehicles for the foreseeable future.

The kicker is that these new standards will do little or nothing to reduce global warming, to the extent that the phenomenon is driven by human-produced carbon dioxide.

The standards require an average of 35.5 mpg across the models a company produces, not among the cars it actually sells. So if [gas prices](#) stay low, and people keep buying larger cars (though they will be marginally more expensive than they are now to amortize the costs of developing cars people don't want to buy), the difference in the release of gases into the atmosphere will be negligible. If gas prices rise, people will buy more fuel-efficient cars whether these standards are in place or not.

Additionally, as pointed out by Jerry Taylor and Peter Van Doren, senior fellows at the Cato Institute, higher CAFÉ standards won't decrease pollution because "improvements in fuel efficiency reduce the cost of driving and thus increase vehicle miles traveled."

Smaller, more fuel-efficient cars will facilitate more urban sprawl as more people will be willing to live farther from their jobs.

The old maxim holds, in spades. By trying to pretend it can provide cost-free mitigation of pollution and climate change with just the stroke of a pen creating mandates, these government actions increase the price of almost everything involved with autos, reduce consumer choice and almost certainly lead to several thousand otherwise avoidable deaths every year.

For all that, the mandates probably won't achieve the desired goal.

Some free lunch.