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Not buying 'Clunkers'

Opinion

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Last Monday marked the end of the government "Cash for Clunkers" scrappage program. This program was intended to stimulate consumer replacement of older vehicles for newer, more fuel-efficient models. By many accounts, in the media, the program was heralded as successful across the nation.

However, the illusion that many Americans are being led into is in need of some emancipation. On a personal note, I myself looked into switching out my 1994 Chevy Suburban for a newer, more cost-effective vehicle. But what I ended up finding is that many car dealers throughout the country were blatantly reducing the discounts on the newer model vehicles, or from the buyer's perspective, jacking up prices, according to Edmunds.com.

Thus, unbeknownst buyers may think they were saving \$3,000 to \$4,500, but in reality they could have been foregoing even greater savings on the vehicle without the government program. Now, the individuals who did purchase newer vehicles through the "Cash for Clunkers" program are stuck with overpriced newer model vehicles, albeit they may be currently enjoying their newer vehicle.

Personal anecdote aside, many of the figures steadily rolling out about the program may have many Americans thinking twice about the "success" of the program. Because 750,000 vehicles that were destroyed as a result of the program, the price of remaining used cars will be pushed up, thus harming lower-income families who generally buy used cars. Moreover, it isn't quite apparent whether the auto industry will actually benefit, long-term, from the program.

According to Libertarian thinktank Cato Institute, "the auto industry received a short-term 'sugar high' at the expense of lower future sales when the program is over" — basically asserting the simple economic fact that although the program helped sell 750,000 new model vehicles this year, it would mean 750,000 fewer cars will be sold in the next couple of years.

Even more poignant of the long-term botch of the program is its failure to actually help the environment. In a New York Times story on Aug. 7 by Matthew Wald, an analysis of the "Cash for Clunkers," the long-term effect on the environment is clouded.

It was assumed a supposed clunker traveling 12,000 miles at 16 miles per gallon (consuming 750 gallons per year) would be replaced by a car getting 25 miles per gallon with the same distance, using only 480 gallons a year. Thus, a driver would save about 270 gallons per year.

When the 245,000 vehicles that have been traded in under the program, before the Congressional extension, is multiplied by that figure, it would mean the U.S. saved roughly 1.6 million barrels each year, according to the Cato Institute.

The disappointment in this figure is that 1.6 million barrels is only about two hours' worth of U.S. daily barrel consumption, which currently stands at 18.6 million. However, savings may have been less since many economists suggest that the older vehicles were likely not driven 12,000 miles per year.

When it is all said and done, like the Cato Institute suggested, the "Cash for Clunkers" program may have been another lemon.

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