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Analysis: Cash for Clunkers a big success, but ...

By KEN THOMAS
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WASHINGTON -- Expiring Monday, the Cash for Clunkers program encouraged more than a half-million Americans to dump their gas guzzlers for new cars and provided a much-needed, short-term boost to the economy.

Critics say that's hardly the whole story. They view the \$3 billion program as the equivalent of a Ford Edsel, a lemon of a policy and an example of Obama administration willingness to cherry-pick winners and stick taxpayers with the tab.

Though the merits and flaws will be debated for years, the early assessment has to start with the program's overwhelming popularity.

Car buyers will have their last shot to take advantage of the \$3,500 or \$4,500 incentives this weekend - the program ends Monday night. Through early Friday, it had spent more than \$2 billion in federal money, accounting for sales of more than 489,000 new vehicles.

Beyond the individual sales, the program has led to notable - if perhaps temporary - economic gains. [General Motors](#) and Chrysler, fresh off government-led bankruptcies, have boosted production, along with Toyota, Ford and others. GM is rehiring more than 1,300 laid-off workers, Hyundai is bringing 3,000 workers back to an Alabama plant, and automakers are paying workers overtime to meet the demand.

President Barack Obama lauded the car program in an interview with radio talk show host Michael Smerconish on Thursday, calling it "successful beyond anybody's imagination."

Unless the final weekend turns into chaos, Obama can continue to cite the rebate system as a successful chapter of the government's recovery effort, which has faced criticism for being slow to generate road and bridge construction projects needed to rejuvenate the economy. The signs are apparent - busy car dealerships and plenty of Americans who know someone who has turned in his old vehicle for a new Ford Focus or Honda Civic.

"It wasn't from the same old playbook of ideas out there," said Paul Weinstein Jr., who served as chief of staff to President Bill Clinton's Domestic Policy Council. "That is the irony. This will be remembered in many ways more than the other types of programs that were included in the stimulus."

But conservatives have connected "Clunkers" to federal bailouts for GM and Chrysler, what they describe as a bloated and ineffective economic stimulus plan and the Democrats' plans to overhaul health care and the environment. The auto industry, they contend, has been the beneficiary of billions in taxpayer funds while plenty of other struggling industries have been forced to stand in line.

When the administration discovered the trade-in program was running out of money in late July and sought

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another \$2 billion, Republicans questioned how Obama could run something as big as health care if his administration couldn't properly manage a simple car rebate program.

While small in comparison to other stimulus programs, Cash for Clunkers adds to the perception that Obama is simply trying to spend his way out of the economic downturn and let future generations deal with the consequences. The White House is expected to announce next week that the federal deficit will be a record \$1.58 trillion for the current 2009 fiscal year, about \$262 billion less than predicted earlier but still three times as large as last year.

"It fits into that theme of artificially trying to pump up the economy in the short run but in my view at the expense of long-term growth," said Chris Edwards, an economist with the libertarian Cato Institute. "It increases the government's debt and will probably, like those other temporary programs, produce higher inflation in the future."

The administration has also faced questions over competence. Dealers have complained about delays in getting repaid for their deals, and the government's online reimbursement system was flooded with requests early on. Some dealers have withdrawn from the program because they're uncertain they'll get paid.

Jim Fleming, a former Republican state senator from Connecticut who now leads the state's auto dealers association, said the benefits outweigh the costs. Dozens of dealerships on the brink of closing were spared, and his home state's budget, which depends heavily on sales taxes, will get an unexpected boost. "This has absolutely stopped the bleeding," Fleming said.

But many auto analysts question whether Cash for Clunkers will have a lasting impact, robbing sales from the final months of 2009 and 2010. A slight auto industry recovery in July and August could be offset by declining sales in September and October and wipe away the bump in consumer confidence.

"We've got inventories tight, prices going up, incentive activity dropping, new cars coming out in October at even higher prices," said Jeremy Anwyl, CEO of the auto Web site Edmunds.com. "There's not going to be much momentum that's going to drive sales to the levels that we've seen."

EDITOR'S NOTE - Ken Thomas covers the auto industry from Washington for The Associated Press.

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