

A Sustainable Environment: Our Obligation to Protect God's Gift

by
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The "Cash for Clunkers" Program – Another Example of Wasteful Spending

Our presidential administration has been very active in trying to improve the economy, develop plans to reduce our dependence on foreign oil, and reduce the impact energy on climate changes. Of course, the administration has been spending money at an unprecedented rate. Just how effective are these programs. Let's take a look at a recent one – the Car Allowance Rebate System (CARS) system, better known as Cash for Clunkers.

During the past two months, people traded in their old, low efficiency automobiles for cars that get more miles per gallon. This program was designed to place more fuel efficient automobiles on the road and as a result reduce energy consumption, reduce the carbon dioxide emissions that are affecting climate change, and jump-start the U.S auto industry. So how does it work? Basically, if you trade in your old car that gets 18 miles per gallon (mpg) or less for one that gets between four and ten mpg more but at least 22 mpg, you will receive \$3,500. If the new car gets at least ten miles per gallon more, you can receive \$4,500. For SUVs or trucks, the differential in fuel economy to earn some cash is even less. In any event, the old vehicle must then be converted to scrap in order to assure that it has been taken off the road. Will this program accomplish its goals, and will it do it in a cost effective manner?

Let's just use an example of a person that drives 12,000 miles per year with a car (clunker) that averages 18 miles per gallon. The person trades in the car for one that averages 22 miles per gallon and thus qualifies for a \$3,500 rebate. Over a ten-year period, the more efficient automobile will consume 1,200 less gallons. Since each gallon of gasoline generates 19.4 pounds of carbon dioxide, the more efficient automobile will emit 10.7 metric tons of carbon dioxide less than the old clunker over ten years. At a cost of \$3,500, this amounts to about \$327 per ton of carbon dioxide. If the person decided to lease a new car that gets 22 miles per gallon and kept it for the minimum required of five years, the emission savings is 5.35 tons of carbon dioxide. This results in an overall cost of \$654 per ton of carbon dioxide. Of course, this is the worst case as most exchanges will result in a car getting more than four additional miles per gallon. For SUVs or trucks, the cost per metric ton of carbon dioxide can be twice the \$654 amount.

Reducing the emission of green house gases like carbon dioxide can be done at a fraction of this cost. Companies as well as individuals have been able to purchase carbon credits at a cost of \$2 – 30 per ton from the Chicago Climate Exchange or other exchanges. This money would then be used to fund projects, such as wind farms, that will reduce the emission of carbon dioxide. In 2008, the average cost of a ton of carbon dioxide was \$28.

If you consider the impact on reducing oil consumption, this can be considered positive, but again at a cost. If one saves 1,200 gallons over ten years, there is a savings of about \$3,600 dollars (at \$3/gal) in addition to the rebate of \$3,500 – a gain of over \$7,000 over ten years.

Now consider what this program has done to jump start the U.S. auto industry. Through this program, an additional 700,000 cars were sold. However, four of the five top selling automobiles through this program were foreign cars (Toyotas and Hondas), even though they may have been manufactured in the U.S. Isn't the goal to help the U.S. auto companies? Only Ford had one of the top five selling cars. In addition, to whom was this program directed? It was for people who owned clunkers probably because they couldn't afford new cars. So now they bought cars they may not even be able to afford. This is not too dissimilar to allowing everyone to buy a house even if they couldn't afford it – a program the U.S. administration promoted a few years ago and got us into this financial mess.

Are we using taxpayer's money to fund the purchase of automobiles by people that may not even afford them? Is this an example of redistribution of wealth? Just wondering!