Cash for Clunkers?

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Let’s be honest and get one simple fact straight. The Obama administration’s “Cash for Clunkers” program is a $1 billion subsidy to the auto industry. We can debate whether or not that’s a good thing and how it will or won’t help pull us out of our economic morass. But let’s not make believe this is about protecting the environment.

Building a car produces, on average, about seven tons of CO₂. The steel and aluminum for that car comes from iron, chromium, bauxite, and nickel. More and more, steel production is carried out in countries with lax environmental and worker safety regulations. The largest bauxite producers are Guinea, Jamaica, Brazil, and Australia. Bauxite is harvested through strip mining, where the surface forest and soil is destroyed.

Other ingredients in your car include zinc, whose production byproducts include heavy-metal-laced slag, sulfur dioxide, and cadmium vapor. Interiors, electronic and mechanical components, and upholstery are often made from PVC—a material whose production and disposal releases persistent carcinogenic environmental toxins such as dioxin. More and more, these plastic components are made in overseas sweatshops, again, with lax environmental and worker safety regulations. The costs of producing new cars are both environmental and social, with entire communities being poisoned and workers being sickened and crippled.

So let’s look at the alternative: keeping old cars on the road. That’s the Cuban model, where they’ve taken this concept to the extreme. Go to Havana and hail yourself a 1937 Chevy taxicab and you’ll see this theory in action. Of course the Cubans weren’t thinking about the environment when they opted out of the new car game. It was economic necessity. As a communist bloc country, Cuba didn’t have access to hard currencies. After the fall of the Soviet empire, Cubans had little access to any currency. The same conditions led Cuba to become a global leader in organic agriculture. Cubans couldn’t afford pesticides. They also couldn’t afford most disposable goods associated with a consumerist economy.

By the time Cuba’s economy started to pick up during the last decade, it had already become recognized as the model for sustainable development. So they ran with it, essentially replacing the red flag with a green one.

But is a 70-year-old, fuel-guzzling, soot-belching car really the green model for the future? Let’s compare keeping this 10-miles-per-gallon dinosaur on the road to the American model of keeping cars on the road for 10 years. While the contemporary American Crown Victoria, at 18 miles...
Putting more people in buses and subways, not crushing 16-miles-per-gallon clunkers and replacing them with 18-miles-per-gallon clunkers, is the real green solution.

The Cash for Clunkers program also really doesn’t address the smog issue, since you can only trade in a vehicle that is 25 years old or newer. Hence, all the clunkers will already be equipped with catalytic converters and will be relatively clean. The oldest of these cars, whose pollution control systems have already failed, will stay on the road, since their poorer owners will not be able to afford new cars, even with the cash incentive. If smog was the issue, some of the clunker cash could have been better spent as grants to repair anti-pollution systems on cars whose owners could not otherwise maintain them.

There are other problems with the Cash for Clunkers program. For one, it rewards past irresponsible, and dare we say, anti-social behavior. If you bought a gas-guzzling SUV, say, 10 years ago, when it didn’t take an Einstein to figure out the environmental footprint of such a pig, you now get up to $4,500 dollars as an unearned reward.

The more selfish you were back then, and hence, the lower the miles-per-gallon rating on your clunker, the more selfish you can be today, with your new clunker only having to best your old clunker’s lousy fuel efficiency by two to five miles per gallon. Hence you can trade in your used 16-miles-per-gallon vehicle for a new 18-miles-per-gallon SUV and get $3,500, or best your old pickup by two miles per gallon for a $4,500 windfall. If, by comparison, you shopped responsibly 10 years ago and bought, say, a 35-miles-per-gallon Ford Focus, and you now want to trade up to a 50-miles-per-gallon car, there’s nothing here for you, since the program only buys cars getting less than 18 miles per gallon – and that new car will cost a few grand more due to all the clunker cash flowing into the new car market.

This program only benefits those who can afford a new car. And it hurts those who can’t, since the crushing of hundreds of thousands of perfectly good used cars will tighten the bottom end of the used car market, causing prices to rise. Hence, the oldest and dirtiest cars will have to stay on the road a bit longer since their owners can’t afford to replace their 20-year-old car with a 10-year-old model.

The influx of all this clunker cash into the new car market will also cause prices to rise as the market heats up with more new car buyers. Hence, where automakers were offering deep discounts to lure consumers...
into showrooms, they now can simply advertise that they’ll give you $4,500 of the government’s money for your junker—and ditch the deep discounts. In this scenario, the Cash for Clunkers program becomes a direct subsidy to automakers who can now sell cars at higher prices to newly cash-rich buyers. Again, if you never bought a gas-guzzler in the first place, this gravy train ain’t for you, and all you get is higher new car prices.

Cars are like anything else. Throwing away usable things so you can replace them with new “green” products isn’t green. It’s just a way for you to feel good about being a consumer at a time when the world can no longer afford consumerism. Only now, the government will pay you to consume, and bless your new gas-guzzler with a green aura.

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