

How About A \$50.00 Tax On Light Bulbs While You're At It?

Out of the kindness of his heart—or perhaps to show his appreciation to the taxpayers for bailing out his company with billions of dollars they will never get back—Dan Akerson, the CEO of General Motors, recently called for a \$0.50 to \$1.00 per gallon increase in the federal gas tax. He was actually brazenly honest about his motives. He said, “People will start buying more [Chevy] Cruzes...”

Akerson, and Obama, believe that a higher gas tax will encourage people to buy more fuel-efficient automobiles. Perhaps they even believe they can increase sales of the Chevy Volt, which—understandably—almost no one seems interested in buying. But let's stick with the Chevy Cruze for a moment, because Akerson singled out that vehicle in his remarks.

The base price of the Chevy Cruze is \$16,525. That gets you a 4-cylinder engine, a manual transmission, and a reported 26 MPG in the city and 36 MPG on the highway. The Cruze Eco provides an estimated 42 MPG on the highway, but that starts at \$18,425. With no options and \$750 in freight charges, the price is \$19,175. But few buyers will go without an automatic transmission, and that adds another \$925. That gets you up to \$20,100.

Let's assume you already own a car that gets 25 MPG on the highway. Let's also assume it has \$5,000 in trade-in value. You can then drive a new Chevy Cruze for \$15,100.

If you drive 15,000 miles per year and had been getting 25 MPG, you used 600 gallons of gasoline per year. With the Chevy Cruze and 42 MPG you will need 357 gallons of gasoline per year.

With gas hovering around \$4.00 per gallon, GM's Akerson wants to tack on an additional \$1.00 in gas taxes, making gas \$5.00 per gallon. At \$5.00 per gallon, 600 gallons of gasoline would cost \$3,000 per year. At \$5.00 per gallon, 357 gallons would cost \$1,785 per year. By buying a new Chevy Cruze you will save \$1,215 per year on your gasoline purchases (\$3,000 minus \$1,785).

But it will cost you \$15,100 for that annual savings of \$1,215! It will take you 12.4 years of driving to recoup your \$15,100 in gas savings. That assumes you paid \$15,100 in cash for the new car and did not have to pay interest on an auto loan. It also assumes you would have made no money by investing that \$15,100, and it assumes you will actually get 42 MPG—your mileage may vary.

I am not suggesting that the Chevy Cruze is not a good car; I have no idea of its greatness or crappiness. I am only suggesting that getting rid of a perfectly good car in order to save \$1,215 per year on gasoline is not a wise financial move. If you happen to need a new car it certainly makes sense to buy a car that fits your needs *and* gets good gas mileage. But buying a new car when you do not need one is foolish. Take your \$15,100

and buy silver or gold. If Ben Bernanke keeps printing money, the value of your coins will increase faster than the price of gasoline.

If you do not drive a car you may not care if the gasoline tax is raised by \$1.00 per gallon because you believe it will not affect you—but you are mistaken. Even those who do not drive will suffer because the cost of all goods will increase as trucking companies necessarily pass on the increased cost of filling their gas tanks. Unlike the Federal Reserve, trucking companies cannot print money. If their fuel costs increase they have to increase the prices they charge for shipping merchandise. Inasmuch as virtually everything one buys is shipped by truck—food does not magically appear on supermarket shelves—prices will go up on virtually everything if the gas tax is increased.

Increasing the tax on gasoline does not make Americans better off. It would encourage *some* Americans to buy more fuel-efficient automobiles. But those who cannot afford to buy a new car will be punished with higher gasoline costs, and *everyone* in the country will be punished with rising prices.

Yes, you can increase the sales of Chevy Cruzes by raising the gas tax. You can also increase the sales of candles by putting a \$50.00 tax on light bulbs—but that does not make doing so a good idea.

GM's Akerson, like Obama, is an imbecile on the subject of economics. Don't support either one of them.

Don Fredrick
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