

The Cash for Clunkers program has received a lot of attention this week on Capitol Hill and across the country. The program offers a voucher of up to \$4500 in federal funds to anyone who trades in a working used car for a new one with better fuel economy. Congress was shocked at how quickly people responded to promises of free money and drained the program, while car dealers have been equally shocked at how slow and arduous the government's website to claim the rebates has been.

It's not a shock that people respond to incentives. The program has been deemed a resounding success, and Congress has authorized 2 billion more taxpayer dollars for it. Bu  
t not everyone is happy about this.

Low-income earners who would have been in the market for those perfectly serviceable, working cars will have fewer to choose from, and those cars will probably be more expensive than they normally would have been.

Automotive repair shops actively lobbied against this program, as it will destroy many of the cars they would have repaired.

They were out-lobbied.

And of course, Americans as a whole are hurt, because this additional bailout of auto companies comes at our expense through inflation.

I have introduced a somewhat similar bill that would have provided a much better alternative to Cash for Clunkers because it does not rely on increased government bureaucracy or spending. My bill HR 1768 provides tax credits to people trading in used cars for new cars with better fuel economy.

There is a big difference, in my mind, between letting people keep their own money versus giving them someone else's.

It is clear which one a free and fair society would choose.

Not only that, but my bill would not have required working, serviceable cars to be destroyed for scrap metal.

Cash for Clunkers is a popular program right now, but in the larger scheme of things it does very little towards accomplishing its stated goals. Requiring cars to be destroyed and new ones made to replace them might help the auto industry in the short run, but any improved fuel economy will not make up for the environmental impact of junking one car and making a new one.

So this is not a program that should really make environmentalists happy.

There is also much evidence that the boost in demand for autos, that has made dealers happy, is just borrowed demand from the past and the future. In other words, many have put off purchases they would have made anyway because they were waiting to see what the government would do.

Others who would have waited a little longer to trade in a vehicle are accelerating their decisions so they can get in before the money runs out.

So I would not be surprised to find that this artificial boom in auto sales is followed by an extended drop.

This should serve as a very tangible example of how government meddling in the economy creates booms and busts.

While everyone loves the booms, the busts are what creates the crises that government thrives on, and that is what we really need to watch out for!