



**Episode 1,133: The State Keeps Messing With Your Car (But the Car Companies Can Be Annoying, Too)**

**Guest: Eric Peters**

**WOODS:** It's been quite a while, and I'm glad to talk to you about a bunch of libertarian topics related to cars, but I'd like to start off with your impression of the 2018 model year, given that I know you test drive a lot of cars and you've written a bunch of posts about a lot of cars. And I guess I've asked you in the few years that we've been doing this, I always ask things like: are there any surprises this year, anything that's a lot better or a lot worse or a dark horse kind of car that just kind of snuck up on you? Anything interesting you can share with us?

**PETERS:** Yeah, there's a general trend toward very small and heavily turbo-charged engines that are being put into large vehicles. For example, a week ago Ford send me the Expedition to test drive, and that's a full-size SUV, three rows of seats, weighs about 6,000 pounds, and it comes with a V6, and now V8 is available. The V6 has a pair of turbos hanging on it to make up for the power that is lost by getting rid of the V8.

And the reason for this isn't market demand. It's not that the buyers are looking for this. It's because all of the manufacturers are trying to cope with the government's fuel economy standards, their mandates, which are much in the news right now. The government decrees how much gas a vehicle can burn. If it doesn't meet that requirement, it gets socked with fines, and these fines get passed on to the buyers, and it makes the given vehicle that uses more fuel than the government decrees to be allowable more difficult to purchase and thus to produce. So their way of coping with this is putting these small engines in there that won't use a lot of gas unless you push down on the accelerator pedal, and then the turbo kicks in and you get the power.

The problem is that it's not a free lunch. You're talking about additional parts, additional components, and those add to the price of the vehicle, and potentially also down the road when those parts begin to wear out and fail, they can be very, very expensive to replace.

**WOODS:** All right, well, that is — in fact, I'm looking right now at a *New York Times* headline from March 29th of 2018: "EPA Prepares to Roll Back Rules Requiring Cars to Be Cleaner and More Efficient." Now, I realize we're going on a bit of a tangent; I do want to get back to the main question that I asked you. But you were telling me before we went on that there is a confusion, perhaps deliberate, being spread in the media about the nature of these regulations.

**PETERS:** Yeah, I would not characterize it as confusion; I would characterize it as deliberately misleading.

**WOODS:** Yeah, I feel silly even for saying "confusion" [laughing]. Sorry about that. I accept your friendly amendment.

**PETERS:** Well, the regulation at issue is something called the corporate average fuel efficiency requirement, and that dates back to 1975 and it arose out of the oil embargoes that were imposed by the OPEC nations back at that time that resulted in gas lines and so on. So the government passed this law that imposed these mandatory minimum fuel economy averages that all manufacturers had to comply with. But the point for discussion is that it's about fuel economy, period. It has nothing whatsoever to do with vehicle exhaust emissions. And for the media to characterize it as being an emissions issue is profoundly disingenuous if not deliberately dishonest.

And I think that they're doing it, frankly, that way because it's become very hard for them to sell the idea that the government has any business telling people how much gas their vehicle should use. After all, you're buying the vehicle, you're paying for the fuel. And people are voting with their pocketbooks and they're continuing to buy big SUVs, pickup trucks, minivans, larger vehicles generally because they meet the needs and wants of the buyers. And some people in certain quarters are very frustrated by this, so I think they've begun to characterize this as an issue of air quality and pollution and public health in order to sort of shame people in feeling that, well, maybe we really need to do something to save the planet and save public health. And they're conflating these two things, and again, I think it's extraordinarily dishonest that they're doing that.

**WOODS:** All right, well, let's try and find some good news in the midst of all this. No doubt there's some cronyism involved, but still, I think by and large what you have is a private sector that is trying its best to produce what it can under the circumstances. Now, at the same time, it's not that the private sector is full of angels either, because they're also giving us these crazy cars that tell us what to do all the time. We'll get to that a little bit later. But still, they are doing their best, and I'm curious to know how well they're succeeding, particularly in this model year.

**PETERS:** Well, they're succeeding phenomenally. They have managed to maintain and even increase the power and performance levels of vehicles. The average new car today is significantly more powerful and more capable, accelerates more quickly, and so on than its counterpart of even ten years ago – and at the same time, placate the government and these mandates that continue to issue out of Washington. In the case of that Ford Expedition that we were talking about a few moments ago, you still have tremendous horsepower and torque. The Expedition can pull I think it's 9,300 pounds, so you don't lose any of the capability in the performance. They've managed to keep that up.

The problem is that we're paying for this, and in my opinion, I characterize it as the hidden cost of the government. The government is doing this to us. We're paying for it. And meanwhile, the government is posing as being our benefactor and giving us vehicles that save more gas. But they also cost us more, so my question is: on balance, who benefits from this?

**WOODS:** Yeah, no kidding, no kidding. Well, let me ask you – again, I realize I'm not quite on the libertarian topic yet, but I know my listeners have other interests too, and we have questions we want to ask about, for instance, how do you balance the pros and cons when it comes to buying new versus buying used? Of course, there are advantages to buying used that

would be things like the used car won't be hectoring you every single move you make. I get that. But let's leave that aside. What are the benefits and costs to buying new, let's say?

**PETERS:** Well, the chief historical advantage has been the peace of mind that comes with that new car warranty, and most of the manufacturers have upped their game on that count to ease the fears of buyers. For example, Volkswagen, which has gone through this gauntlet of abuse over the TDI cheating scandal, has upped the standard warranty on its cars to I think it's six or seven years and 60,000 miles. And that's the full-car coverage, not just the engine and transmission. And that's an industry-wide trend, so that's probably the chief advantage, is the peace of mind, not having to worry about anything breaking, or rather if it does break, somebody else is going to pay for it. That's probably the chief advantage to buying the new vehicle, leaving aside the fact that it's new and you're the first person to drive it and all of those intangible things.

Now, on the flip side of it, buying a used car, you'll generally save a lot of money, because the depreciation rate on most new cars is astounding. Typically, any car that you buy, two or three years from now, it's going to be worth about 30% less than what you paid for it. So looking at that from a different point of view, if you bought that car two or three years old, you get about a 30% discount off of its original sticker price.

**WOODS:** Yeah, so there is — I know an extremely wealthy person who buys only used cars, because he just feels like: I know I have enough money to do whatever I want, but that doesn't mean I want to do stupid things with my money, and therefore, I'm going to buy a used car.

**PETERS:** And that's why he's wealthy.

**WOODS:** Yeah. Now, I'm not doing too badly, but at the same time, sorry, I go for that mystique. I go for that new car mystique. They saw me coming a mile away, Eric. I mean, I go for it.

**PETERS:** Yeah, I mean, there's absolutely nothing wrong with that. There's nothing whatsoever morally dubious about buying a new car. It's a way to treat yourself, reward yourself for hard work. But as with anything, not just cars, there are pros and there are cons to it.

I think right now, though, a new variable has been tossed into the equation, and you touched on it briefly a moment ago when we were just starting that discussion, and it has to do with the stuff that they're putting into new cars. And it's not just the nanny stuff, the pestering, the buttons and the buzzers and the lights. It's also this extremely elaborate technology that they're putting into vehicles, again, because of the need to comply with the federal mandates. Both Ford and GM, just to cite two examples, are putting ten-speed automatic transmissions in many of their vehicles. They jointly developed this transmission. And they're doing that because of the leverage advantage of that ten-speed that gives you an incremental improvement in overall fuel economy. But that is a very expensive transmission, and if it should fail on you post-warranty, you could potentially be looking at a bill of \$4,000 or \$5,000 for a transmission. And that can be a game-ender for a vehicle, particularly if it happens when the thing is 10, 11 years old and it's only worth \$8,000 at that point.

**WOODS:** Yeah, yeah, no kidding. You know, I was going to say, about a year and a half ago I did a giveaway — I actually gave away a car. I gave away a car for whoever was my most successful affiliate for my Liberty Classroom program, so it made people compete like crazy selling that thing, which is just what I wanted to happen. And then I gave away cash prizes for second through tenth place. And I partly did it because I thought: I can. I'm doing it because I can, and there's a certain mystique about a guy who can give away a car. I just couldn't resist it, so I did it.

**PETERS:** Sure.

**WOODS:** So I thought I'm not going to give away — I could give away a Nissan Sentra, which was — what is it? Not Sentra. What's the low — is it Sentra that's the lowest end?

**PETERS:** The Versa? No, the Versa's their lowest-priced car, yeah.

**WOODS:** The Versa, sorry, that's what I meant. Yeah, of course not the Sentra. Yeah, I meant the Versa. I could have given away the Versa, but I thought: I think I want to go just one level up so that I'm not obviously giving away the worst car there is — you know what I mean when I say "worst."

**PETERS:** Yeah, sure, budget-priced car.

**WOODS:** Right, right, exactly. So did the Kia Soul. Could have done the Kia Rio at that time, but I did the Kia Soul. But anyway, so it was fun. But it made me suddenly interested in lower-end cars, because I was searching around for them, and that made me wonder, given that a low-end car today has amenities that no one could have dreamed of in a high-end car 20 years ago, how do you evaluate this decision: do I buy a brand-new Nissan Versa or a two-year-old Toyota whatever would be somewhat in the same kind of ballpark, but a little bit better but used?

**PETERS:** Well, our frame of reference really needs to change. This idea of low-end cars, that's really not an editorially accurate term any longer, given that a car like the Versa — had one of those a couple months ago, incidentally, comes with a touchscreen, it comes with air conditioning, it comes with power windows and locks. It comes with all of the amenities that used to characterize at least a nicely equipped car if not a luxury car. So in terms of amenities, there really is no such thing as the cars you and I grew up with. When you talked about a low-end car, you talked about something like a Chevy Chevette that had floor mats and maybe an AM radio and a speedometer and a fuel gauge, and that was pretty much all you got. Remember those cars?

**WOODS:** Oh, yeah.

**PETERS:** That does not exist anymore. So you're not suffering. You're not enduring anything by buying an inexpensive car. The chief differentiator today is power and performance. Typically as you move up the food chain, you get more engine and more power. And you also have access to some other gadgets as well, but that's the chief differentiator — that and of course the status. A lot of people are just paying extra money because they like the prestige that goes with the more expensive and higher-brand car.

**WOODS:** I don't know anybody like that, Eric. I have no idea what you're talking about.

**PETERS:** [laughing]

**WOODS:** Anyway, well, I still haven't, though, managed to get you to name me some specific ones, so now you have to. Give me a few at different price points that you think are worth consideration.

**PETERS:** Well, one of my personal favorites is the Toyota Corolla, and nominally, that car is in the compact class and the entry-level class. But if you look at the stats of the car, you'll find that it actually has more backseat room and a bigger trunk than many mid-sized luxury cars that cost two and three times as much. It's a wonderfully roomy and comfortable car. It also is a very well-equipped car, very nicely equipped car. You can get it with a nice, big touchscreen if you like the gadgets, with all the latest apps, all the latest technology. Climate control, leather, everything else. And even if you essentially prostrate yourself before the salesman and say, "I'll just pay whatever you tell me to," it's hard to pay more than \$20,000 for that thing. That's one of my personal picks of the litter.

Another car that I like and which unfortunately I gather General Motors is about to cancel is the full-size Chevy Impala, which is essentially is a less-pricey version of the Cadillac XTS. And it's a nice, big American car, kind of like they used to make them except it's not rear-wheel drive and it doesn't have the V8 engine. But it's wonderfully posh. It's an impressive-looking car. It's a quiet, smooth car. And in today's market, it's a relatively inexpensive car. I think they start around \$28,000. I'm just pulling that off the top of my head, but I think that's about right. And that gives you a car that's very comparable in terms of its size, its presence, its comfort to something like a BMW 5 Series or a Mercedes E-Class.

**WOODS:** Wow, these are interesting. I wouldn't have thought of either one. I think I rode around in a Toyota Corolla when I was five, six, seven years old. That thing has staying power.

**PETERS:** Yeah, well, exactly. It's one of the perennial bestsellers in Toyota's entire inventory. And this is interesting and I think the listeners will probably agree with me: if you pay attention when you're out driving around, you will still see Toyota Corollas from the '90s regularly being driven daily, and that's quite something. If you look at most other cars from that period, especially the entry-level cars from that period, you almost never see them anymore. They're long since rusted away or retired.

**WOODS:** All right, let's talk libertarian stuff here. Was it Delaware where they're running a test on something called the mobile driver's license?

**PETERS:** Oh, yeah, yeah. Essentially what they want to do is electronicize the driver's license and turn it into an app that's on your cellphone. And this would enable a cop, for example, to simply obtain your information without even having to pull you over. It would be something that could be accessed remotely by the cop from his vehicle, as a for instance. And it would also incorporate all of the data that's being included in the REAL ID and the biometrics stuff, the data about not just your driving record, but literally everything. They put barcodes on a lot of these current driver's licenses, and in some states, you're required to give them a fingerprint or even an iris scan, and all of that data too is incorporated into these smart cellphone mobile IDs.

**WOODS:** So what's the problem with this? If you're not doing anything wrong, Eric Peters, why would you be afraid of being monitored [laughing]?

**PETERS:** Well, that's just it. That's exactly it. I read once and I can't recall who's the author of this quip, but I find myself in agreement with it, and it is that one of the hallmarks of a civilized society is privacy and that if your privacy can be violated at will by the government, then you no longer live in a civilized society. And that's a sentiment that I very, very profoundly agree with.

**WOODS:** Before we move on to looking at something that's in the private sector itself that's kind of annoying, let's talk about this a bit further, because as with things like Facebook and Twitter, it's not just state actors that have access to data about your behavior and your whereabouts and things like this. It's also the so-called private sector in this case, and I wonder if there's a similar thing going on with the cars.

**PETERS:** Sure, of course there is. From a purely technological point of view, it's exactly like the thing with Facebook. If the government can access at whim this data remotely through technical means, then certainly private actors who have the desire to do it and obtain the means to do it can do the same. So it exposes all of your data — and there's a lot of data now on these smart driver's licenses, these REAL IDs — to these people. And there you go. All this stuff is out there in the commons, and it's a very significant security issue as well as a privacy issue.

**WOODS:** All right, so let's talk about — you've got a post over at EPAutos.com about "Cars That Parent Us." We've been over this before, but they are coming up with new and irritating ways all the time for the car to second-guess you. And the car's judgment is not always better than yours, it turns out.

**PETERS:** No, it's very preemptory. One of the unintended consequences of government safety standards — I'll just get into this one particular example — has been that cars now are almost tank-link and they have very thick A pillars, B pillars, C pillars, trunks that are high up in the air. It makes it very difficult to see outside of the car. Visibility in the typical new car is atrocious compared to what it was, say, 10 or 20 years ago. And so as a result of that, they've put these backup cameras in the cars, and now you're supposed to use a backup camera to backup. Well, I'm old enough to have learned to drive before there were cameras, and sometimes when I'm trying to park my car curbside, I like to crack the door open to look, see where I am in relation to the curb because the human eye, assuming you have good vision, has depth perception and you have a sense of spatial relationships that you don't get with these cameras. Well, I had a BMW I think it was a 6 Series a couple of months ago, and if you try to do that, the car will countermand you and it will take the transmission out of gear. It will not let you back the car up with the door open if you're cracking the door to look behind you and try to back up that way.

**WOODS:** Yeah, so it's that, but at first it used to just be that it would ding a few times if you didn't have your seatbelt on. That was the camel's nose in the tent, was the old seatbelt dinging. And then that dinging would go away and you'd just keep driving.

**PETERS:** Yep.

**WOODS:** But just on that seatbelt thing, I mean, they just will not stop. They're just going to torture you for that whole ride.

**PETERS:** Well, it's even worse than that. I often take my laptop, which is a MacBook Air so you know if you're familiar with Macs, they're really small and light.

**WOODS:** Oh, but the car thinks it's a passenger.

**PETERS:** Exactly. So this computer, which can't weigh — I don't think it weighs three or four pounds, if that. I put that on the seat, and the buzzer starts to go off, the light starts to flash, driving me crazy, and then I have to buckle in my computer or contend with this buzzer that's going off in my ear constantly.

**WOODS:** So that's definitely a biggie. That's the one that we've most been tortured by, but there are a whole bunch of things now about lane changes and going in reverse and things of this nature. And I don't know. Maybe these things make you safer. I don't know. That's not the main question to me.

**PETERS:** I disagree with that.

**WOODS:** Yeah, I wonder if they are counterproductive in some cases.

**PETERS:** I think that they are, and I'll give you two reasons why. First, they're distracting. It's difficult to maintain your focus on the road when buzzers are going off, your seat is vibrating — GM does that. They have a lane-departure system where the seat begins to vibrate if you're moving out of your lane. Or in many new cars, they have a lane-keep assist. If you for example are trying to make a lane change and you cross over a double-yellow line, the steering wheel will actually fight back at you and try to countermand your steering and turn in the other direction to keep you in the lane. I find these things to be very distracting.

And on the other hand, the second objection that I made toward them is that they encourage passive driving. All of these technologies ostensibly marketed as safety features encourage the driver to think about other things, to fiddle with the radio, to touch the screen, to text, to call instead of being focused on the task at hand, which is the drive the car.

**WOODS:** Yeah, no kidding. No kidding. You've got a post that I think we absolutely have to talk about. It's called "The Jeep We Can Buy but Can't Drive." Partly because it's interesting in and of itself that this particular vehicle exists, you're allowed to buy it, but you're not allowed to drive it and we'll find out why, but also because this is in a way, it helps us get a rough estimate, as you say in the article, of what the cost is of the regulatory apparatus. Because the cost would be the ability to buy a much less expensive vehicle like this, and now we know exactly how much less expensive it would be. So I'd like to hear about that.

**PETERS:** Well, there are a number of vehicles that are available in other countries that are illegal to sell in this country for chiefly two reasons: they don't meet either federal emissions standards or they don't meet DOT safety standards. So if you bring them into the country, they actually — there was a case about a year ago where some Land Rovers were brought in that weren't certified to be in the United States, and they actually sent armed SWAT teams to these people's homes to confiscate the vehicles. So there's that.

Then you have vehicles like this. It's called the Mahindra Roxor, and essentially it's a reproduction of a '70s era Jeep CJ. Mahindra is an Indian company, and they licensed the old Willys Jeep for many years, and so they've decided to reproduce this. But the way they get around the EPA and the DOT is to market this as an off-road-only vehicle. So you can buy it, it's legal to buy it, but you can't register it and put license plates on it and drive it on public roads. So essentially, it's for people who live out in the country and have pasture land and fields and so on to drive out in the fields.

**WOODS:** So give me some numbers associated with this vehicle.

**PETERS:** Okay, they are selling this for about \$15,000. Now, to put it into context, the least expensive EPA-, DOT-certified analog that you can buy and drive on public roads is the current Jeep Wrangler, and its base price is a bit over \$27,000. So the disparity is about \$12,000 between the two.

**WOODS:** So \$12,000 then represents what? Let's just be blunt about it. What does that represent?

**PETERS:** Well, it represents two things. It represents the cost of complying with the EPA and the DOT, and in my article, I separate out those two. I'm a libertarian, so you know where I stand on a lot of these issues. I think that you can make a legitimate argument that you don't have a right to spew pollution out in the commons. I accept that there has to be some way to moderate the emissions. You can make a legitimate case for that, in my opinion.

But the safety stuff is another matter. I don't think it's the government's business, frankly it's nobody else's business whether my car or your car has airbags, as a for instance. If you would like to have airbags in your car, you certainly should be free to buy them, but I don't think that they should be forced on people. That's where the big cost comes in. You don't see vehicles like this on public roads anymore, and this is a very simple vehicle. Has no airbags, the doors can be physically removed, the windows can be dropped. It would never pass any of the current government crash test standards, and because of that, it's inexpensive. It's extraordinarily expensive to build a car to meet the DOT safety standards. Almost every new car has a minimum of at least six airbags, and some, believe it or not, have as many as 12 to 15 airbags.

**WOODS:** 12 to 15 airbags?

**PETERS:** Yep, the Smart Car has that many. Remember the little Smart Car?

**WOODS:** Yeah, yeah, does that not exist anymore?

**PETERS:** They're still making it. I'm not sure whether they're going to continue to make it next year, but because it's so small, the only way it can be made safe is to put that many airbags in the thing.

**WOODS:** Oh, gosh.

**PETERS:** Yeah.



**WOODS:** Yeah.

**PETERS:** So if you took that out of the equation, those are expensive, and it's not just the airbags. These things are physically built into the structure of the vehicle. It's not as though they're grafted on. They have to design the whole car around this, including the dashboard, the steering wheel, the doors, the A pillars, and all of that stuff. Very, very expensive. And of course the back end of the car and the front end of the car have to be able to take a certain hit and crumple a certain way and all of this, so it's very, very expensive for them to do all of that. And incidentally, it also makes the vehicle that much more heavy, which means it uses more gas, ironically. So you've got conflicting fatwas, as I call them. The safety fatwas end up conflicting with the mileage fatwa, so we have heavy cars that wind up using more gas and cost us a fortune too.

**WOODS:** Yeah, no kidding, no kidding. Well, I want to make sure everybody remembers that there is nobody like Eric Peters out there that I know of who's dedicated to cars who's also a hardcore libertarian who'll give you great car analysis, great libertarian analysis, and a lot of the times both at the same time. Now, even though I like my car and I like driving as much as the next guy, I wouldn't describe myself as a car enthusiast, but I recognize the importance of what you're doing, and that's why you are one of a handful of people I support every month. I send some dough your way every month because I'm glad you're doing what you're doing. You're the only person doing it, and sometimes the car world is not, let's say, overwhelmed with libertarian perspectives, so I'm glad you're there. Basically, you, Scott Horton, Antiwar.com, Tenth Amendment Center, a handful of places like that that are on shoestring budgets – I feel like if I donate to some crazy cause that has a billion-dollar budget, my donation doesn't do anything. But I really am helping to keep the lights on in a lot of these cases, and I hope the folks listening to this –

**PETERS:** Yes, you are, and I think you for that, Tom.

**WOODS:** It's absolutely my pleasure. I hope you guys will take the same lesson here. Not only visit Eric at EPAutos.com;, sign up for that eBook because it's a book that'll help you make that decision about buying a car, but also support him. Send him a little bit of dough so that we can keep these voices alive and we can prove that we're not just blowing smoke when we say, in a free society, people would voluntarily donate to causes like this. Oh, yeah? Well, then let's do it. And a great way to start is at EPAutos.com. Help out Eric and also learn a lot. Once you go there, you'll never want to leave. That's the only drawback. So Eric, thanks so much for your time.

**PETERS:** Sure, and incidentally, I also am happy to give advice to people. We have a button on the page that people can click. It says, "Ask Eric." And if they have a car-buying question or anything related to maintenance, repair, anything like that, it's free. They can just click on it and I'm happy to give any advice that I can.

**WOODS:** Wow, that's even better. Now, come on, people. That's great. I'm not offering that, by the way. You're on your own with stuff. You've got to get in my private Facebook group if you want to ask me something. That's really tremendous. So EPAutos.com is the website. We'll link to a few of the items that we discussed today on the show notes page, which for today is TomWoods.com/1133. Eric, great to talk to you.

**PETERS:** Thank you, Tom. I always enjoy it.