



**Episode 549: When Government Fixes Things, It Creates New Problems: The Case of Automobiles**

**Guest: Eric Peters**

**WOODS:** Let's talk about what's going on with VW; I had some items here that you sent me that I thought might be worth talking about, but I want to put those on hold while you fill us in on what is going on. Apparently the VW news is not good.

**PETERS:** No, the latest sales data indicate that the company has lost about 25% of its sales volume over the month of November, and nobody really knows quite what to do about it. The dealers are very upset with the management. Volkswagen seems to have no particular plan to deal with it. The value of the VWs that are in circulation has plummeted. A lot of competing brands will not even accept them on trade-in or will only accept them at trade-in at fire sale prices. Volkswagen has yet to certify or recertify its diesels for the 2016 model year, so the whole thing is just a burgeoning fiasco, and it doesn't look like it's going to get better any time soon.

**WOODS:** Now, this is all because of the bad press that VW got because of cheating on the emissions tests, and now there's automobile fear among investors of what may happen to them? What's the cause?

**PETERS:** Well, chiefly, but not just investors. It's also legitimate fear among the people who actually own one of these cars. You just saw the value of your car, notwithstanding that it hasn't got any functional problems, it's a good car, but nonetheless the retail value of the car just dropped by double digits since the scandal opened up, and that's catastrophic for any car company. It affects everything from lease rates to new sales of future product. A lot of the people who bought VWs in the past are now very reluctant to buy another one, because they're concerned about the value of their purchase and what's going to happen over time.

You know, if you recall back in the late '70s and early '80s when — it's not an exactly comparable thing, because it actually was a mechanical problem — when General Motors introduced some diesels that were really not quite ready for primetime, and it effectively killed diesels in passenger cars in the U.S. for nearly 30 years, and it's entirely possible that something like this could happen again as a result of this scandal.

**WOODS:** Now, we talked about this in a previous episode. I had you go through exactly what happened, and I'm going to link to that on the show notes page today, [TomWoods.com/549](http://TomWoods.com/549). We'll have a link to that episode. But for people who didn't hear that episode, can you give us the *Reader's Digest* version of what happened? And can we justify what VW tried to do?

**PETERS:** Justify? I think so. VW was trying to end-run or deal with emissions standards that were both arbitrary and preposterously strict to the point that it affected both cost to manufacture them, as well as their performance and mileage. So what they did was to adjust the software in vehicles that controls the operation of the engine so that it would comply with the test when the thing was hooked up to a testing apparatus, but then when it was out on the road, the programming would revert to parameters that made the car run better, get better gas mileage, and so on. And what we're talking about are really fractional increases in emissions per car, despite the hyperbole of the media. But anyway, the perception out there is that these things are just spewing Exxon Valdez-esque quantities of pollutants out there and killing small children and old people, all of which is absolutely not the case.

**WOODS:** So in other words, it's just today that we're hearing the sales figures? They've just come out?

**PETERS:** Yeah, there's a big story on *Automotive News*, which is sort of the Bible of the car industry, and they publish a lot of this stuff. Yeah, and it's absolutely catastrophic. You know, Volkswagen had been just going gangbusters, doing very well, and it's metastasized now to include some Audi models that also share diesel engines with VWs and even Porsche. You know there's a diesel portion of the Cayenne, and that uses the same diesel engine that's used in some Audi and some VW models, so now the entire corporate brand of Volkswagen, Audi, and Porsche is potentially affected by this.

**WOODS:** All right, now regardless of whether this could be defended on libertarian grounds, it's obviously been a PR catastrophe — and not just PR. It's beyond PR. It's a catastrophe on every level for VW. As far as you know, have any heads rolled as a result of this at the company?

**PETERS:** Oh yeah, they've basically gone through at the upper levels of VW management, they've already lost I think two of their CEOs, and now it looks like the guy at Audi and the guy at Porsche might fall by the wayside too. Nobody yet, no specific person has been assigned the blame for this. My personal feeling is that something like this couldn't have happened without lots of people within the company knowing about it beforehand, and that's where this is particularly acute, because legally it does constitute fraud. If they knowingly did this and then sold the cars to people, I think — and I'm not a lawyer — but I think it's pretty clear-cut here that a lawyer could make a case that the cars that were sold that way were not merely that they had a problem, that there was a defect, but this was a knowing case of fraud, and that could cripple the company.

**WOODS:** Wow, very, very interesting. Well, we'll just keep an eye on it. I remember last time you even speculated there was a chance this could bring the company down.

**PETERS:** Absolutely. If you consider all the vehicles out there — this goes to all the Volkswagen branded and Audi branded and Porsche branded vehicles. This goes way beyond the specific diesel models. The entire brand has been tarnished, and if you as a consumer, if you as a purchaser of a Volkswagen car, even if it's not a diesel, all of a sudden your car is reduced in value as a result of what may be adjudicated criminal fraud, then you may have a case. This could be an absolutely massive class action litigation when all is said and done, and I think VW realizes how vulnerable they are on that, and that's probably why everybody's scared to death.

**WOODS:** Yeah, yeah, wow. Okay, well, I want to keep an eye on this and have you come back and talk to us about it. I've got three pieces of yours that I find interesting that you've written in recent days. Of course I told people about EPAutos.com, which is where they should go, because I just, I don't know where you get all of the material, frankly, but people say that to me — how do you come up with new topic ideas? I don't know actually; I honestly don't know how I do, but I do.

**PETERS:** I don't either.

**WOODS:** One way or another, I do. I mean, you're able to do it in a really interesting niche genre, really, because you're dealing not just with cars, but with a libertarian angle. But you do get critics from time to time —

**PETERS:** Sure.

**WOODS:** — and one such critic was criticizing you for I guess your presumed views about car insurance and saying that, well, of course we all know libertarians are enemies of mankind and they all want the poor to die and if you get into an accident, you know, we want you to be financially ruined or whatever. I don't know where they get these ideas of what we believe, but what exactly is your view about car insurance? Because of course a lot of states — maybe all states? I actually don't know.

**PETERS:** Virtually all states. My understanding is all of them except for one or two.

**WOODS:** Okay, require drivers to hold car insurance. But you can understand why, right? Isn't there a plausible reason that you could at least understand why people would favor that, because if I get hit by somebody, I don't want to be ruined, I don't want to have to pay for the car. So that person has got to be holding insurance so that I get my car paid for by the jerk who smashed it up.

**PETERS:** Well, there are a couple of points to make. One is that this is a presumption of what might happen that is used to treat people as if they had actually caused harm. And in principle, I find that problematic, because if you accept that principle, why not require everybody to go out and buy a policy indemnifying them against the possibility that they might steal or commit murder? When it comes to other things, we hold

people individually responsible for what they actually do, and we don't hold them accountable for things they haven't done and certainly not before they've done them.

That's my issue with insurance, with the mandatory insurance. I don't have a problem with insurance per se. If it's something that you feel a need for and that you think is a good value and you want to purchase it, by all means. I do object when a private, for-profit cartel uses the coercive power of the state to compel you to enhance its bottom line, to make it profitable using compulsion. I think that's profoundly at odds with what we should be doing in a free market and a free society.

**WOODS:** I get the logic behind that, but there's a part of me that, even though I fundamentally agree with you, there's a part of me that still feels somewhat unsatisfied by it, that in this case you're dealing with a huge purchase that would ruin me if it were totaled, and at least if I know that everybody in the car is carrying a policy I don't have to worry every time I get behind the wheel that my life could be ruined.

**PETERS:** The fallacy there is the presumption that, because there is a law requiring people to have insurance before they drive, that people are going to have insurance before they drive. The analogy that I tend to trot out when we discuss this issue is the gun control one, and the idea that some people have this idea that if the government passes a law forbidding the possession of weapons in a gun-free zone, well, that means you won't find people with guns in gun-free zones. And we know how well that's worked out.

The same is absolutely true with regard to insurance. People who are irresponsible, negligent, who don't care about harm that they cause, they have no compunction whatsoever about getting in their car without insurance, driving it, and if they hit somebody, what do they care? Most of the time these people don't have any assets; they are often unemployed. Nothing can be done about them meaningfully, so they simply get off scot-free. Insurance tends to punish the people who are responsible, people like you and I who pay our bills and if we do something wrong, we make it right.

And from a market point of view, by making it impossible for people to say, you know what, your policy premium is too high or you just jacked up my rate for no reason, I've never caused you a loss – you're doing it because I got a ticket for not wearing a seatbelt, let's say – you can't say no to that, so they can just simply dictate to you, essentially, a higher price. If we had the ability to say no thanks, I don't want your policy anymore, we'd pay less. So there's that economic argument as well.

**WOODS:** You have a piece here on unintended consequences, which is something we hear an awful lot about in libertarian circles. The government does X, but it has the consequence of Z, and surely it didn't intend Z, but it just goes to show how difficult it is to enact a policy carrying out X without it bringing about Z. And then half the time, of course you wonder if they constantly are enacting policy X and it constantly has the effect of Z, are they really that stupid, or do they actually want to bring about Z?

**PETERS:** I don't know, and that's an interesting question. I think about that constantly, and I don't really have an answer, because I don't know for certain. All I do know for certain is that indeed, we do have unintended consequences. And I know for a fact that there's an arrogance involved with these people who essentially force their things upon us without giving any consideration or thought to the unintended consequences. And then when the consequences spring up, they don't seem to want to be held accountable for them.

A good example of this is the airbag thing. We had this gigantic recall for the Takata airbags, which were grenading in people's faces and hurting people. That's an unintended consequence of the airbag mandate, and they're not taking any accountability for that.

Another good example is the decreased visibility in the typical new car. New cars are safer in that if you get into an accident, you're less likely to be hurt, because the car is sturdier and the structure is greater. But wouldn't it be better to not have an accident in the first place? In order to get the structure up, they have to thicken up the B pillars and do various other things that make it harder to see what's going on around you; therefore, you're more likely to have an accident. So which is better? And this balance is something that we all have to deal with in our lives, but it would be nice if we could make those choices for ourselves and then not have other people making those choices for us.

**WOODS:** You note in this piece that revenue from excise taxes on gas that's collected at the gas station is down, in part at least, because the government's been encouraging the production of electric cars or hybrid cars. They use less gas, so they're going to produce less revenue. So now apparently — I hadn't heard this, but it doesn't surprise me — there's been talk of substituting for that instead, a tax on miles traveled, that the more you drive, the more you pay. Now, I'm in no way supporting government taxation, but it does seem that in a market society there probably would be — I mean, I can't know exactly what the economic model of roads would be, but I could imagine at least that in the case of some major roads, there would be some way of tracking miles used, and that it would be like a user fee and that there would be some kind of a justice in the idea that somebody who hates automobiles and never rides them doesn't have to pay, but I, who drive all day long, do have to pay.

**PETERS:** Yeah, I don't disagree with that in principle either. My concern is with regard to tax-by-mile is that they're collecting all sorts of data that they probably can and will use against us at some point. They can use, for example, the tracking systems to determine whether you've been speeding very, very simply, and then they could share the information with the insurance company or they could simply issue tickets via the mail that way. There are all sorts of problems with it. So I like the motor fuels tax the way the structure is, because it's a very anonymous sort of tax. It's a user fee that you pay when you buy gas, put gas in your car. 20 or 30 cents of every gallon goes to taxes, and that goes to pay for the roads and the upkeep, and if we didn't have this government monopoly on the roads, if we had a free market system, something like that, that sort of thing appeals to me precisely because it's non-intrusive, it's

anonymous, everybody gets what they want. You get to use the road; they get the money to support the roads, but it's not an invasion of your personal space.

**WOODS:** You say in here also that one unintended consequence of some government policy is that the cars that we have, that are in use now, stay in service longer.

**PETERS:** Right.

**WOODS:** And they stay on the roads longer. And it's hard to see exactly why that would be a bad thing.

**PETERS:** Well, it's a bad thing in the sense that it retards innovation. You had a vehicle fleet turnover — meaning that the cars that are in service right now, most of them would be out of service, say, after 10 years. They had been replaced by newer cars. Newer cars, we assume, would be better cars. They would be more fuel efficient, for example. They would produce lower emissions, for example. But one of the unintended consequences of what we've got now are cars that last a very long time. The average age of the typical car out there I think now is about 12 years older, and it's routine to see cars that are 20 years old still in service every day as daily driver transportation. So that means a lot of these cars that are, say, 15 or 20 years old are still polluting, if you want to put it that way, according to the standards that were in effect back in the late 1990s. And if your object, if your goal is to have cleaner cars and more fuel-efficient cars, you probably want the fleet to turnover faster rather than slower.

**WOODS:** Eric, I want to talk about an article that you on the site that is entirely philosophical and abstracts entirely from the car question, actually. Let's talk about your piece, "Libertopia?". I'm sure you do this from time to time at EPAutos, but still, you must — especially you must be dealing with this because of the critics you get when you talk about cars are no doubt of the same stripe that you get when you talk about anything as a libertarian. You get told, you utopian libertarians and so on and on, that our system we believe would be a utopia as compared to the dystopia we live in now. Is that some of the motivation behind a piece like this?

**PETERS:** Oh yeah, this is a common catcall. I'm sure that everybody who does what I do or does what you do has encountered this at one time or another. It's very easy to dismiss libertarian ethics, morality, political philosophy by characterizing it as utopian, it will never work. The implication is that what we advocate is literally a utopia, a perfect society, and of course that's simply not the case. What we advocate — and I don't mean to speak for you, so you can correct me if I'm doing that — but I advocate something different and arguably better, in that I don't advocate basing human interactions on coercion, authoritarianism, and collectivism, but rather on the mutual free cooperation of individuals. It wouldn't be perfect, but in my opinion it would be infinitely preferable to the system that we have now.

**WOODS:** I have never really understood this particular criticism. I can understand if I don't agree with some of the criticisms of libertarianism — what about the poor or

wouldn't we have monopolies everywhere and wouldn't we be choking on pollution? At least I can understand that. It's very unimaginative, but at least I can understand it. But the idea that we're saying that we would have a utopia just because the government has been reined in is — that's just not fair, because we've never ever said that. It's not to say that — in other words, those people would apparently be thinking that we're saying there'd be no murder, there'd be no robbery — no. There wouldn't be institutionalized murder and institutionalized robbery, but the very reason that I am suspicious of government is that I'm not convinced that human nature can be trusted with that kind of power. So that same human nature that I fear would still be at play, but I wouldn't have to worry about a bad person with his fingers on the nuclear launch codes, right? That's the thing.

**PETERS:** Well, there is this odd intellectual disconnect; it's almost a quasi-religious kind of perspective that some people have that the "government" — put it in air quotes — is some kind of an entity that is possessed of superior wisdom somehow, and it will make better decisions by bent of it being the government. They never follow that through to reason out that, well, what is the government actually? Isn't it just kind of a shorthand for people who have a monopoly on power, who have titles and so on, but fundamentally, they're just people, and they have the same flaws that any other person has and oftentimes more of them. So it really is kind of a non sequitur to believe that, well, we're just going to entrust some people with authority over the rest of us, and by doing so things are going to be better. I've never really quite understood that logic.

**WOODS:** In a way, that's the utopian position.

**PETERS:** It is a utopian — absolutely correct, it is a utopian idea.

**WOODS:** We'll just pick the right people, and things will more or less work out, and anybody who objects to this is some crazy utopian, when in fact, all we're saying — we say nothing about what we expect the outcome to be. All we say is — well, we do say that, but it's not fundamental to our position. Our position is no initiating violence. We don't say no initiating violence, and then we will have a perfect society. At no time have we said that. We have said that we'll have a more prosperous society, we'll have a more innovative society, etc. We'll have more social mobility. We'll have a lot of good things.

But that's very different from saying we'll have a utopian society, and I think it's just dumb and it's inconsiderate and wrong; it's just the wrong way to argue with people, to put words in their mouth that they never say. I have never ever, ever said that we would have a utopia, but yet every critical article I read about libertarianism in *Salon* or *Slate* or *The New York Times* or whatever, it always says, well, in their libertarian utopia — it's always that. But I've never said that.

In the same way that every time *Salon* talks about libertarianism, it mentions Ayn Rand. Every single article. And yet, for whatever merits Ayn Rand had, I don't think I ever mention her. I don't think I talk about her at all. It's not fundamental to anything

I talk about, and yet they think that all we do all day is sit around flipping through our dog-eared copies of *Atlas Shrugged* and talk about who our favorite character was.

It's weird that they can't even be bothered to figure out what we think, how we think it, what we say, what our positions are. And I feel like that's not just a matter of, well, that's the human condition, that's how people are. I do know what progressives think. I've taken some time to study it. I've been considerate enough to bother what people are saying. I know what they're saying. I quote from the people that they read.

**PETERS:** I think that at some level they have a protective, instinctive response to our ideas, because once you broach the idea of the non-aggression principle, you have opened up Pandora's box from their point of view, and it's very difficult for them to delegitimize their position, and contrary-wise it's very easy for us to morally delegitimize theirs. Very, very difficult. And I think that's why they understand that whatever they do, they can't go there. They can't touch that. They have to side step, they have to demagogue, they have to bring up Ayn Rand, they have to bring up utopia, and so on. So I regard it as a purely defensive mechanism, and I think that for the most part, many of them are not even consciously aware that they're doing it.

**WOODS:** I want to ask you a totally different question about innovations in automobiles, in terms of the kinds of features that we see. We've seen the introduction of some features that of course would have seemed out of science fiction to people 50 years ago, let's say, or even 20 years ago. For instance, to have a video screen showing what's behind me in the car. And as you've said, that sort of innovation can have unintended consequences, because you come to rely on technology instead of your own common sense.

But the point is, the presence of such a screen or the fact that I think my car has several different steering styles — I have a button and it can shift from — I don't even know what this does. I asked the dealer to explain it to me; it made no sense. I never even touch that button. So it seems to me like now they're really stretching to think of new ways to make my ride more comfortable and interesting. What kind of innovations are, from what you know, coming down the line, and are any of them useful, or are they all just frippery?

**PETERS:** Well, I mean, they're both, things that fall into both categories. I've got a '16 Jeep Cherokee out in the driveway right now, and one of the really neat features that it's had, it's piped through the LCD display on the thing, is real-time weather updates, including fronts in your area, weather fronts in real-time constantly updated, so that you can, while you're driving, monitor weather conditions around you. It's very, very similar to what pilots have in their aircraft to give them situational awareness.

You can also, there's another app that will allow you to dial up the gas prices of the stations within, say, a five-mile orbit of your current position, so you can find the least expensive gas station just by touching the screen. And that kind of stuff is pretty neat, and I laud that sort of thing.



The feature that you just mentioned before about being able to at the touch of a button alter steering feel. You should try it. What it does is it tailors the hydraulic pressure in the system, so that either steering effort is increased or decreased to suit your particular driving style. Somebody who enjoys a more spirited or performance-minded kind of driving experience will appreciate the higher effort steering, whereas somebody who just wants to have a relaxing drive will like the lighter effort. In the past, you used to have to buy one type of car or another type of car. Now you can have all that stuff in the one car, and I think that's pretty neat.

**WOODS:** Okay, I will admit, yeah, that actually does sound pretty good. I like the weather thing. That also sounds useful, especially if you're making a very long drive, and sometimes you don't even know what the typical weather in a particular area is.

**PETERS:** Right.

**WOODS:** All right, that all sounds pretty good. But it seems like for the most part, if I think about the difference between driving today and driving 30 years ago, it's a big difference. But if I think about a 2015 car and a 2009 car, are there any major changes that I would notice?

**PETERS:** There are a lot of major changes you would notice. For example, a lot of new cars now have seven, eight, and even nine-speed transmissions, whereas —

**WOODS:** Oh.

**PETERS:** Yeah, if you went back to, what were we talking about? 2004, 2005? That was non-existent. Back in the probably — you might have a six-speed; I don't think anybody had a seven-speed at that time. That's one example. Another example is direct injection. The fuel now is literally sprayed directly into the cylinder, rather than above the intake valves, as was practice in the past, and that has allowed about a 10% fuel efficiency gain and more power and so on. So there are a lot of engineering improvements that are coming on line, many of which are desirable and laudable. There are also some things that are dumb. If you want to talk about that, we can talk about that too.

**WOODS:** Yeah, let's talk about dumb things. I talk about a lot of dumb things on this show.

**PETERS:** Okay, the one that gets my goat that aggravates me endlessly is something called auto stop-start, and this is something that has been adopted chiefly because of the government's CAFE fuel efficiency regs. Essentially what happens, you get in the car, you drive, you come to a traffic light, and the engine will automatically cut itself off to save a little —

**WOODS:** Whoa!

**PETERS:** Yep, to save a little bit of fuel. And then when the light turns green and you take your foot off the brake and put your foot on the accelerator, a very high torque starter immediately kicks the thing back to life, and then off you go. Now, on the scale of a fleet of several hundred thousand cars, you might see a significant reduction in fuel usage, which matters to an automaker in terms of the federal fuel economy stuff.

But you as the owner of the car are not going to see a meaningful difference, but you will see reduced battery life and very likely reduced starter life and potentially increased wear and tear, because when the engine's off, guess what? Your oil pump is not circulating your oil. Most of your wear and tear occurs at the startup, before the oil has a chance to circulate through the engine. Also your air conditioning won't be working, and there's also what's been described as the paint shaker effect. You know, you're in the car, the engine cuts off, and then it starts up again, and it's kind of distracting and annoying. And almost all of the new cars that are coming on line, the '16s, have this, unfortunately.

**WOODS:** Ah, okay, all right. Well, that's good to know. I guess I was just thinking in terms of comfort features in the car. I mean, everybody had, five, six years ago, everybody had air conditioning, almost everybody had power windows, certainly everybody has power steering, they have power locks. So what — the fact that I have three different ways that my steering wheel can have resistance or something just — when I heard that feature, I just thought, all right, at this point, they're out of ideas.

**PETERS:** Well, one of the things that's coming on and is becoming very popular is the use of multi-stage turbos to provide very high horsepower players for the displacement, along with the potential for really good fuel efficiency. Both the new Mustang and the Camaro, both of which are muscle cars, come standard or have available four-cylinder engines with turbos that make more power than the v8 engines that those cars had in the '90s and perform as well as they do. And that's the four-cylinder engine. You can go up the food chain to the v8, and at that point you're dealing with the car that would have been considered exotic super car power in the late 1990s.

**WOODS:** All right, I want you to take 30 seconds to tell us about EPAutos.com.

**PETERS:** Oh, sure. Well, I call it the libertarian gear-head site. It's the place to go if you enjoy cars, if you enjoy motorcycles, and if you enjoy talking about the freedom philosophy and how that all ties into cars.

**WOODS:** And you've got great folks who follow along; you've got good comments, good conversations that arise, and from time to time you get a critic, but you have a very, very informed community that seems quite capable of answering the claims of the critic, so it's a fun place to check out. And of course as I said before, I'll link to it on today's show notes page; this is episode 549, so it's TomWoods.com/549. Eric, I'm going to keep an eye on what you're doing, and we'll get you back on soon.

**PETERS:** Thanks, Tom. I always enjoy it.