Episode 347- What Government is Doing to Cars
Guest: Eric Peters
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WOODS: I'd like to do both ideological questions but also some practical questions about automobile maintenance and questions like that. Let's start with a basic one that comes up a lot in libertarian policy circles. Tell me about the problems with ethanol. We know that it's being subsidized, so right away that's a problem. But then what are the technical problems, the mechanical problems associated with ethanol?

PETERS: Well, there are several. I guess I would start with that it's not an efficient fuel. Current gasoline is approximately laced with 10% ethanol. So really, when you buy a gallon of gas, you're really buying 90% gas and 10% ethanol. Ethanol is less energy dense than gasoline, which means that it takes more of it to create an equivalent amount of power versus gasoline. So all else being equal, you go not as far on a gallon of E10. That's the technical name for the gasoline versus standard, regular 100% gasoline. That's one problem. Now they've gotten around that to some extent with the new cars by dramatically increasing the compression ratios and optimizing engines to burn the fuel. So they get the power in the economy out of it. The problem is, if you don't have one of these cars, if you've got an older car, and by that I mean anything that's probably about three or four years old, you're going to notice a decrease in mileage. You can actually go out and test that by filling your tank with regular gas, if it's available in your area, and then filling it up with the 90%/10% and taking note of your mileage. You'll probably notice about a 5% decline in your gas mileage using the ethanol. So that's the one problem.

The other problem is much more significant, and that is that the ethanol is corrosive. It attracts water, which brings moisture into the fuel system, and that can cause a lot of problems, particularly with the older vehicles which don't have fuel systems that were designed for that—that have, for example, metal gas tanks, so they're prone to rusting internally and fuel lines that are prone to rusting internally. And if you go back even further, cars that had carburetors—the stuff just eats them alive. It literally dissolves some of the rubber and the neoprene and the plastic materials that are used inside a carburetor. So there's are the major problems with ethanol.

WOODS: In looking over the questions that I have, I have a lot of questions from people that we've answered in previous episodes. So on this show notes page, which will be

TomWoods.com/347, I will link to your previous appearances, and they are all great and very much worth listening to.

Generally, when the federal government subsidizes something or when there's a pressure group demanding that something be subsidized, they don't say we want this to be subsidized in order to line our pockets. They try to give some public-interest rationale. What's the rationale here?

PETERS: Well, the claim is that it will reduce our dependence on foreign oil—the catch-all—you know, reduce the amount of oil that we import from terrorist-sponsoring nations in the Middle East, notwithstanding that the majority of the oil that comes into the United States comes from places like Venezuela and Mexico. That's something most people don't know. But in any event, that's the rationale, that we're decreasing the amount of oil that's required to power the nation's vehicle fleet. The problem with that is when you take a step back and look at the macro and how they make ethanol and the energy inputs that are required to make it, you find out that it takes a lot of petroleum products to make ethanol, and it winds up being, according to every study that I've looked at, a net energy loser. So, in fact, we're not saving energy. We're actually using more of it.

The other factor that's peripheral, but nonetheless very relevant, is that the feed stocks that go into it, principally corn, have resulted in higher costs for things like meat and other foods that you eat because the stuff is being devoted to the production of ethanol rather than to the production of food.

WOODS: All good points. Suppose you buy—forget about older cars—let's say you buy a 2015 whatever, and you want to know: how often should I get the oil change these days? Do I stick with the 3,000-mile rule? Obviously, I know it depends on the kind of driving you do, but still the range of mileage that you can safely go in between oil changes nevertheless must have increased.

PETERS: Well, it has, and you've got two resources that you can draw on with new vehicles. The first is the owner's manual, which will give you the service schedule for your particular vehicle, and that schedule will be determined by the type of driving that you do, including whether you do a lot of stop-and-go driving, whether your driving is mostly highway, whether the vehicle sits for long periods of time, and so on, and that will give you a very good idea as to when you should change the oil based on time and mileage. The other thing is that a growing number of cars have the ability to self-analyze the oil. This is not like it was back in the '80s and even in the '90s when you had a little idiot light that came on and the idiot light was based on a pre-determined interval of time or mileage. Some of the cars, for example, current Mercedes products, and BMWs, and I think Lexus has it also, actually have the ability to analyze in real time the condition of the oil as you drive, and it can determine when it reaches a point at which you should change it, and then you will get a service reminder that will pop up on your infotainment screen.

WOODS: All right, so in my case I pretty much—I drive to the airport twice a month, but pretty much I'm driving around town 10, 15 minutes at a time. I have a 2013 Hyundai Santa Fe. And let's say I use the cheapest oil in the world, just the lowest thing they allow on the road, what would you recommend?

PETERS: Do you plan to keep that vehicle until the wheels fall off? Or would you like to get a long time out of it?

WOODS: I wouldn't mind getting a few more years out of it.

PETERS: Okay, I would go probably 5,000 miles or once a year; whichever goes first. And that's just my personal recommendation based on my own experience that sifted through all of the recommendations that the manufacturers put out there, which people ought to realize are based to a very great extent on warranty considerations. In other words, they give you the interval that will sound the best when you're in the car dealership shopping for the car the salesman will tell you, oh, you won't have to change the oil but once every 10,000 miles, let's say, or once every 8,000 miles, which may or may not be the case, but it's on the ragged edge of probably what's advisable if you want to get the maximum not only longevity, but performance and economy out of your car.

WOODS: All right, let's zip back now to a philosophical question here. Let's talk about the Tesla issue. Now, this is an area where you've sparked some controversy in your own comments, and I have got people on both sides of this issue who are following me, and I've got somebody asking about Tesla's suit against the stupid government rules blocking them from selling cars directly to the people. Now, you've just written an article on an unrelated subject, but related to Tesla. Can you summarize this whole question for us?

PETERS: This is one area where I will defend Tesla in principle. Tesla wants to be able to sell cars directly to the consumer, in other words, to end the dealer system. Right now, you know, the practice has been for, I guess, for the last 100 years that if you want to buy a car, you don't buy it from Ford. You don't buy it from Toyota. You buy it from one of their authorized dealerships. And of course, that entails all the markup that comes along with that. You're paying for the dealer's advertising, you're paying for his sales force staff, etc. And even if you try to haggle him and haggle successfully, you're still going to pay that probably 3% or so margin over what the manufacturer would have charged to buy that vehicle. Tesla, on the other hand, sells directly over the Internet. You can go online, you can click off the options that you like on your car, and you could literally purchase it that way. That's got the car dealership network completely up in arms, and they are litigating over that trying to prevent Tesla from doing that. I think that's outrageous. I completely defend Tesla on that score. They ought to be able to sell their cars directly. Anybody should be able to sell their cars directly.

WOODS: All right, so what is the—I am going to link to it—the article you sent me about a week ago on Tesla at tomwoods.com/347. What's the angle you're talking about there? It's cronyism.

PETERS: It's cronyism. People have criticized me for slamming the electric car, and nothing could be further from the truth. I am not opposed to electric cars. What I'm opposed to is rent-seeking and crony capitalism, and that's what you've got with Tesla. These cars that he "sells" would be unsaleable on the merits. They are enormously expensive. They are very functionally compromised, and that's what I object to. It's obnoxious enough to be forced at gunpoint by the government to "help" the poor. But I think it's particularly obnoxious to gun the taxpayers so that a person can go out, a very affluent person—and I'm not a class warfare guy. I am not insulting the rich, but I think if you can afford to buy a car with a base price of $70-something thousand, which is what the least expensive Tesla sticker is for, you don't really need my help to buy the thing.

WOODS: Okay, fair enough, and I know there are people inclined to accept that. My sense is that people feel like in this world where government is just everywhere, and you've either, you know, either you play the game or you can't be in the running, well, you know, people do have to soil themselves, but I guess it's possible to soil yourself more or soil yourself less.

PETERS: Right, well, I'm taking the principled argument here, and also, it's been observed, and I agree with this, that by subsidizing manufacturers like Tesla, you're putting obstacles in the way of potentially worthwhile electric car innovations that could potentially be viable in the market on their merits. And that's a real problem, you know, you've got these artificial incentives to produce $70,000-$100,000 electric cars that are effectively gadgets and toys for the very affluent they could never sell even if they were successful in other than very small numbers. Tesla sells, I think, about 30-something thousands of the things every year. Where if these things are going to make any sense at all, you'd want to have them as a mass-market vehicle. You'd want them to be affordable. You'd want regular people to have access to them. And to my way of thinking, that would mean something very simple, very basic, an A to B transportation module, if you will, that maybe could be sold for around $15,000 or so. But Tesla is getting all the coverage, all the adulatory media coverage because the cars are sexy, and they are quick, but I fail to understand why sexy and quick are things the government ought to be subsidizing.

WOODS: All right, so we'll link to your commentary on this at tomwoods.com/347. Let's talk about an article on your site that's linked to today at lewrockwell.com, and it has to do with four areas of vehicle maintenance that people are likely to overlook. Everybody knows you need an oil change, but they might not know some of these things. Let's talk about two of them. So leave people wanting more, and I will link to the full article at tomwoods.com/347.

PETERS: Okay, all right, let's see. One that's not really related to the mechanical system of the car per se are the cabin filters. Most new cars, in fact, I think most cars built since the mid to late '90s have a cabin filtration system, which is a really nice thing to have. It filters the incoming air from the outside to capture pollen and dirt and dust and so on, and it's very helpful to people with allergies, and it just makes the interior of the car a more pleasant place. But people forget that these things are filters, and filters get clogged, and they need to be

changed periodically, and if you don't change them, they get clogged, and then you don't get any of the benefit of the filtration and, moreover, you don't get the air circulation that you're supposed to get, so the car can get stuffy and uncomfortable. This is one of the few things that the average person without any mechanical aptitude or skills or knowledge or tools can usually service themselves by looking at the owner's manual just to find the slot where the cabin filtration filter is, and it's typically either in the glove box, underneath the glove box, or somewhere in the foot well of the front seat passenger area, and you pop open a cover, you pull it out, and you go to any auto parts store—NAPA, AutoZone—get a new one, pop it in there, and you're good to go.

The second one, people have been told for many years now about the 100,000 mile no tune-ups, lifetime coolant, and so on. All of that is true, but that doesn't mean that other aspects of the vehicle don't require checking and maintenance periodically. One of the things that I mentioned in the article that we are talking about is that while spark plugs may function perfectly well for 100,000 miles or even more, it's advisable to, I think, take them out and look at them at about 50,000 or 70,000 miles or so, not necessarily to replace them, but to make sure they don't seize up on you when it does come time to replace them as you get to 100,000 miles or so. So you remove them, put on new anti-seize if they require that—some don't—reinstall them. That's one thing, and what connects the spark plugs to the electrical system? Well, they are wires that are made out of a carbon material on the inside and a rubber material on the outside, and they are still relatively fragile. They are vulnerable to degradation over time, and if that happens, you're not getting the voltage through the wires, through the spark plug, that you should. And as a result of that, the spark plugs aren't firing as efficiently or even at all, and your miles and performance goes down. So things like plug wires should be checked more frequently, even if the spark plugs are alleged to be good for 100,000 miles.

WOODS: All right, so there are four of these. We'll link to them at tomwoods.com/347. Somebody on my Facebook page, in selling you as a great guest, linked to an article of yours that is, at this point, almost two years old now, but just as an example of the kind of thing you can read at EPAutos.com that you won't read anywhere else, and the headline is "GM's $9,800 Car…the One We're Not Allowed to Buy." Has anything changed with that, first of all? And secondly, what are you talking about?

PETERS: No, not at all. Well, what I'm talking about is that the American car buyer is restricted from buying vehicles that are simple, that are inexpensive, and that are widely available in other parts of the world, including GM vehicles that GM builds in China for the Chinese market. Now, many people may think, well, that means probably they are very primitive, and they are very unsafe. But these things are very relative. The cars that GM is selling that I reference in the article are cars that would have been perfectly acceptable for sale in the United States circa the mid-1990s both in terms of safety and emissions. But the regulations in this country have become so draconian that it's extremely difficult to make a car that's simple, light, and very fuel efficient pass muster, and as a result of that, GM only sells those vehicles in markets such as

China and other Asian countries, and the same is true for all the other major manufacturers as well.

WOODS: But is there any argument, again, just as we said earlier, they don't normally say we're doing this for cronyist reasons, and they don't normally say we're doing this to make your life miserable. They try to say there is some public welfare in mind.

PETERS: Well, what they'll trot out is the safety argument, but it's disingenuous. We've long since reached the point of diminishing returns. To put in perspective, I will contrast it with emissions. People will talk about reducing tailpipe emissions. Well, any car that's been on the road since the mid-1990s, the exhaust byproduct—what comes out of the tailpipe—is about 90 to 95% water vapor and carbon dioxide, which are inert gases, which do not affect air quality and have no issue with regard to respiratory distress and so on. So they'll say something like, well, this law will reduce tailpipe emissions by 100% or 50%, but they are talking about fractions of a percent. They are talking about cutting the remaining 3% of the truly harmful emissions by half a percent. But they won't explain it that way, and that's what we're dealing with here. You're not talking about an "unsafe" car. You're talking about a car with let's say two airbags rather than six, and if you compare the crashworthiness of the car that we're discussing that GM sells in China with cars that were common and typical in this country in the '80s and the '70s, it would be vastly safer in every way than those cars, which millions of people drove for many years.

WOODS: All right, here's another practical sort of question. I have always been curious and apparently one of my listeners is, too: why is it that when I go to the dealership, parts and labor seem to be pricier than if I just go to some third-party provider? Now, the one thing that going to the dealership provides is that I can get an official record of every single piece of maintenance I do that is certified by the dealership itself so that I can go to them later on and say, you know from your own records and from my receipts here exactly what I have done for this car, and this may help you when it comes to resale. But what other benefit is there to going to the dealership that would justify the disparate charges?

PETERS: Well, chiefly, it's purely psychological and peace of mind, and you may not even be getting that. Because it's absolutely the case that while some dealers offer very thorough and honest and competent service, others do not. And the flip of that is that there are many independent shops that offer better services. Some offer worse. You're paying for an hourly shop rate at a dealer that might be $30 an hour or higher than what an independent shop would charge you. And as far as the markup on the parts, they do it because they can. It's that simple, you know, if you walk into it, and you'll pay what they ask, and it's that straightforward. You have the option of buying parts elsewhere and going for service elsewhere, and as long as the parts used meet the manufacturer specifications, it's perfectly acceptable to use them, and as long as you keep a record of the parts used and the service done, your warranty coverage should not in any way be affected. Some people do like to have a relationship with the dealer, and that's fine, but you can certainly have a relationship with an independent repair shop as

well. It all comes down to what you're comfortable with and what you've had a good or a bad experience with.

WOODS: Now, on previous episodes when I've had you on, we have talked about your favorite cars. We've talked about electric cars—these are mutually exclusive categories, of course. We talked about the Chevy Volt. We talked about fuel efficiency standards. So a lot of these topics that people want to talk about, we've actually covered, and I will link to them at tomwoods.com/347. I've got you a few more minutes, so let's see what I can stuff in here. What do you think about this? Somebody says, "I would like to know more about the prospects of building your own ride to avoid all of the government EPA and safety regulations by using the tried and true method of swapping a modern drive train and overdrive transmission into an older chassis. Where I live, vehicles over 25 years old are exempt from emissions testing." What do you think about that?

PETERS: I think it's great. If you have the mechanical ability and the desire to do it, I think it's a fantastic end run around a lot of this rigmarole. I have personally done these kinds of thing. I know people who have, and I have recommend them. You can get almost all of the really meaningful benefits of a modern car by adapting a simple stand-alone throttle body fuel injection system in lieu of a carburetor and putting an overdrive transmission in one of these older vehicles. I have an old muscle car from the '70s. I've got a mid-70s Trans-Am with a gigantic 455 V8, and I put an overdrive transmission in the thing, and astonishingly, the thing gets better gas mileage than a few of the big SUVs and a few of the big sedans with V8s that I've test-driven lately, all of which have things like direct injection, variable valve cam timing, cylinder deactivation, etc. And my car still has a carburetor and a V8 that was designed back in the 1950s.

WOODS: Do you know anything about—this is another question I have from a listener. Do you know anything about private highways like the ones that the DuPonts built around Wilmington, Delaware and how they managed to deal with that without eminent domain?

PETERS: I don't know about the eminent domain issue. I guess what they do is establish rights through voluntary consent, and they buy up land freely from the people who own it. The real difficulty is, you're dealing with this existing network of government roads. So it would be difficult, if not impossible, for example, to build a parallel interstate highway system that was privately owned and privately operated. In principle, I am all for private roads. I think—you know, because I am for voluntary, mutually agreeable, mutually cooperative human interactions that are not based on force or threat. So any effort in that direction, I support.

WOODS: I want to direct people over to EPAutos.com. Obviously, we'll be linking to that at tomwoods.com/347, but give people a pitch for what sort of thing they can expect at EPAutos.com. They can basically expect very regularly answers to the kinds of questions we've raised here. Isn't that right?

PETERS: They can, and they'll find feature articles on old muscle cars. They will find stuff about motorcycles—both old and new and eclectic stuff having to do with some of the topics that we've gotten into here having to do with libertarian philosophy and how libertarian philosophy would apply practically out in the real world. So it's not just an academic discussion.

WOODS: Indeed, and of course, one of the best things about having Eric Peters on the program is that I know I can ask him pretty much anything on this subject, anything at all, and I don't have to worry he's going to say, well, on this technical issue, I am just not very well read. No, he knows it.

PETERS: Well, if I am not, I will admit it.

WOODS: And that's great.

PETERS: I'll do my best to answer any question.

WOODS: But I haven't been able to stump you yet. So some day when that happens, I don't know, you owe me a Coke or something for not being absolutely omniscient.

PETERS: Get your car up here, and I will give you a free oil change.

WOODS: There you go, and I am indeed in need of one. That's actually why I asked, as a matter of fact. I wasn't really sure. All right, well Eric Peters, thanks so much for joining us. We'll have you on again when I've accumulated more questions, but really, as I say, I have already accumulated a whole lot of questions. I really should try and save these and have you on more often. Thanks so much for helping us navigate this.

PETERS: Thank you, Tom, I appreciate it.