



Government and Your Car

Guest: Eric Peters

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WOODS: I'm always glad to have guests who know so much more than I do about some subject. When it comes to cars, I was telling you before we recorded this that there's no one on Earth who knows less than I do. I have no idea what makes that car go. As far as I know, angels are under the hood, and they are making it go. I don't have any idea how that technology works. I know the bare minimum that's necessary for a consumer so that I don't get snowed when I go to buy a car, but that's pretty much all I know.

What you have that makes you unique, to my mind, is not only the knowledge about, well, indeed how the car works but also about all the different makes and models, but also you have a libertarian streak to you. You are a Rothbardian libertarian looking at cars and government policy. I think you're the only game in town here, really. So that's why I want to talk to you. I want to throw some questions at you, and I want to hear what your response is.

PETERS: Sure.

WOODS: So we're going to start the show with the lightning round. Usually you end with the lightning round. We're going to start with the lightning round.

PETERS: Okay.

WOODS: But actually, you know what, a lightning round means I want one-sentence answers. I don't. I want the best answer you can give me.

PETERS: I'll see what I can do.

WOODS: Okay, let's start off with this electric car business.

PETERS: Yeah.

WOODS: Now, we know that the Chevy Volt, apart from apparently a huge purchase by the federal government, was a big floperoo. Why was it a flop?

PETERS: Well, chiefly because of the expense more than anything else. And there are functional issues as well, but the real issue with the electric cars generally, and not just the Volt, is you're looking at a vehicle that costs anywhere from 30 to 50% or more than an otherwise equivalent conventional car, and if the object of the exercise is to reduce your transportation costs, which is fundamentally what this is all about for most people, you might not be spending money on gas in other words, but you're spending the fortune to buy the car so ultimately wind up spending more money for the vehicle, and that's bad, but then if you factor on top of that that the car has very limited range, has performance problems in cold weather and in other conditions, and it's extremely difficult to convince anybody to buy the thing. That's the bottom line.

WOODS: Now are these problems that are unique to the Volt or are they plaguing all electric cars?

PETERS: No, the fundamental problem has to do—the functional problem has to do with battery design. Even though they have now gotten nickel metal hydride and other forms of advanced batteries, the technology is such that it's still very expensive to produce these batteries. The batteries generally can only hold so much electricity before they begin to run dry, and then in order to have any kind of longevity out of the batteries, they have to be recharged relatively slowly, even with a fast charger. They call them fast chargers, but minimally you're looking at anywhere from 45 minutes to an hour or more on the fast charger to put another 60 or 70 miles of range into the thing, or on the standard household charger, the 115-volt outlet in your house, you're looking at 10 hours. Whereas, you can fill up a standard regular gas bearing car in five minutes and be back on your way. How many people are going to be willing to put up with a car that takes an hour to fill up or even a half hour? Frankly, even 15 minutes. There aren't many people who have that kind of time to just squander on refueling a vehicle.

WOODS: All right, let me ask you this. And again, forgive my ignorance on this, but as I say I know so little about this. Is the Volt a hybrid car? Is it different from a hybrid car? If so, how?

PETERS: Well, yes, and no. A hybrid is essentially a vehicle that has two powertrains that work together. You have an electric motor and battery pack, and then you also have a gasoline engine, and the purpose of the gasoline engine is to kick on periodically to serve as a generator to provide electricity to the electric motor. In a hybrid like the Prius, for example, though, the gas engine also actually propels a car. In other words, it's connected to the drive wheels, and it propels the car. In the Volt, there is also a gasoline-burning engine. However, it's not technically connected to the drive wheels, so it does not as such actually propel the car. It's there to serve as a generator so that if the battery does run out while you're driving down the road, you're not going to be stranded. You can continue to drive, but at that point, you'll be burning gas.

WOODS: All right, so in terms of the problems that you've described with the Volt, to what extent are these same problems observed in the typical hybrid car?

PETERS: Well, they're significantly less because it's more of a 50/50 arrangement. Whereas, in the electric car, the dominant power source is electricity. Actually, the electric car, excepting the Volt, does not carry around its own power generating source, which means that once the battery is depleted, once it runs out of electricity, you are effectively stuck. You have to plug the thing into a recharging station in order to get moving again. That's the real range-limiting issue with those vehicles. Chevy and General Motors tried to get around that by putting the gas engine in the Volt so that like a hybrid it wouldn't be stranded when the batteries were depleted. In other words, you could continue to drive. However, you would no longer be operating in electric vehicle mode. At that point you'd be operating very much like a Prius operates, with a gas engine providing the mode of source for the vehicle.

WOODS: Now, a lot of times when government gets involved in technology it's trying to accelerate the development of technology that would have developed on its own, but not as fast as the government wants it to. But then other times the government gets involved and tries to push for the development of a technology that wouldn't have developed at all, regardless of how much time passed, in the absence of the subsidy. Which kind of technology do you think the hybrid car or the electric car is?

PETERS: Well, interestingly, historically it's actually a little bit of both. People who aren't very familiar with the history of the automobile might not realize that there was quite the competition between the internal combustion engine and electric vehicles 100 years ago—actually, more than 100 years ago, right around 1900, around the turn of that century. There were vehicles like the Baker Electric, for example, which had a lead-acid battery and no gas engine and was driven by electricity, and at that time they were actually more popular than the gas engine cars, which were bulky and sputtery and difficult particularly for women to operate. The electric cars were touted as being more friendly for women to drive and so on. But as engineering advances occurred, the gasoline-powered vehicles just got consistently better, and of course, they also had the range that an electric car did not have. And in those days the electric cars I think the range was about 20 miles. Whereas, a Model T Ford, you could get in, put a couple of gallons in it, and you were fine and good to go for 150 miles, and you could refuel in five minutes, just like today. But what we're seeing today is just a high-tech resuscitation of something that happened more than 100 years ago.

WOODS: Well, not surprising, I suppose, on one level. The other thing I wanted to ask you about is regulation dealing with the gas mileage that cars get. Increasingly the government demands that cars get this amount of mileage, that amount of mileage, and the usual response to this is to say, well, to accommodate the government requirement, we have to make the cars lighter, which makes them more dangerous to drive. Is there anything more to say about these regulations than just that?

PETERS: Well, there's a lot more. In addition to driving up the price, you've got these conflicting objects, these conflicting goals. Let me back up a little bit, though. To me it's a question of whether buyer/consumer/market demand should be what determines vehicle design or federal

bureaucrats or state bureaucrats—bureaucrats generally, dictating to people the types of cars that they shall buy, period. In my opinion I think it should be driven by market demand. If I, as a consumer, wish to drive a very lightweight, but highly fuel efficient vehicle that might be more dangerous if I get into an accident, in exchange for the everyday reality of extremely excellent gas mileage, well, I feel that ought to be my choice to make. Whereas, if somebody else feels more comfortable driving in a heavier, “safer” vehicle that gets poorer fuel mileage, well, that should be their choice to make as well, and let the chips fall where they may, and let the industry determine what the demand is and produce products accordingly. That’s my philosophical opinion on that subject.

WOODS: But I think the response would be that, yes, if this were anything else, if this were breakfast cereal or whatever—I was going to say light bulbs, but that’s obviously not true. They’ve taken that choice away.

PETERS: Yeah.

WOODS: But they would say here we’re dealing with a resource that’s non-renewable and is of strategic importance and tremendous value to everybody on Earth, and we’ve got to make sure we ration our use of it, and it seems like your use of it, just to show around a flashy, heavy car is a trivial one.

PETERS: Well, if that’s true, then certainly the president should not be driving around in a four-mile-per-gallon, 10,000-pound armored vehicle and taking junkets up to Martha’s Vineyard in a fuel-slurping 747. Wouldn’t you agree?

WOODS: Well, look, you’re preaching to the choir here. When you look at the whole U.S. military and the use of resources that you’re talking about and the gas mileage—an Abrams tank I think gets 3.6 gallons to the mile, not miles to the gallon.

PETERS: Yeah, it makes my old muscle car look like a Prius.

WOODS: Right, exactly.

PETERS: And also to get back to the question, it’s debatable whether this resource is “declining.” If you look at prices, and if you adjust them for both inflation as well as factor in the cost of government—that is, the cost imposed by taxes as well as the regulatory costs imposed by things like the oxygenated fuels mandate—and if you compare that against the value of the dollar, you find that actually the cost of fuel is relatively cheap. In fact, it’s not that much more than it was back in the 60s, if you control for those factors, which suggests to me that despite the cry about peak oil—which, I’m in my 40s, and I’ve been hearing that my entire life—it seems like there’s ample fuel to go around.

WOODS: All right, one other thing I want to get to before I ask you general questions of interest to me personally involve privacy issues. We were talking about this before we started

recording. There are privacy issues now that would be of interest to somebody who is interested in cars from a libertarian perspective. Tell us about that.

PETERS: Back in the '90s General Motors was the first car company to begin to install what are called event data recorders, EDRs. They are known more vernacularly as black boxes, like you'd find in an airplane, and these black boxes record data about your driving—everything from whether you're wearing your seatbelt to how aggressively you accelerate, what your speed is, and so on and so forth. The interesting thing about it is that this data can be accessed without your knowledge or consent by the car companies. I did an article about this about a week or so ago and actually copied pages from the current Mercedes-Benz E-class operators manual, which has it right there in black and white. It's up on the website. And Mercedes is by no means unique. All the automakers do this now, and it's kind of creepy to think that you ostensibly bought this car. If you're making the payments, it's supposed to be your car, and yet information about your driving and what you're doing with your car is being accessed by these third parties and without your consent. I think it's extremely creepy.

WOODS: Well, that is creepy. I would tend to think most people are not even aware of this. Am I right about that?

PETERS: Most people are completely unaware of it, unfortunately. I am doing my best to make them aware of it.

WOODS: I'm telling you, this is why—I'm not going to tell people what I told you before we went on the air, but you've got to do the homework assignment that I gave you, because now all of mankind needs what you could be doing for mankind. But first of all tell people: is it ericpetersautos.com?

PETERS: That's correct, yeah, epautos.com.

WOODS: Okay, so anybody listening to us now should check that website out, bookmark it, get the updates there because there is news and developments that we're just going to miss unless we're following it closely the way you are.

I want to ask you, if I may, a selfish question, which I think might nevertheless be of general interest. Next year we're probably going to be in the market for a new car. Now, we can argue about whether you should buy a new car or a used car. I personally like buying a new car, and I know people say, oh, but you lose x-percent of the value as soon as you drive it off the lot. I'm not sure I buy that, but even if that were the case, I get subjective value from knowing that no one has soiled this car. I just like that.

PETERS: Sure, and that's valuable, absolutely.

WOODS: Right, and I'm willing to pay a premium for that. Well, anyway, we have two cars. We have seven people in our family. We have five kids and the two of us. I have a Hyundai Santa Fe that I bought last year that is great and it can fit all of us. Not if we're going on a trip, because

there's no room for the suitcase, but all of us can fit in there. There's an optional third-row seat, and it's great. It's just what I want, and it drives great, and I love it. And then my wife has a Honda Odyssey, which I think is a 2011, and the thing is that we do an awful lot of driving, just an awful lot of driving. So we're going to be in the market for another one next year.

PETERS: Okay.

WOODS: What kind of tips can you give us, not necessarily about a minivan per se—and I know mini vans are unfashionable, and they are on their way out. That's okay. We accept that we're unfashionable. We have five kids; how much more unfashionable could you be? What advice do you have for me? Sometime you hear this stuff about you should go at the end of the month. They are desperate to fulfill their sales quota. What kind of thing can you tell me? Is any of that a myth? Or is there anything to any of that?

PETERS: Well, are we focused on minivans specifically?

WOODS: Well, I bet most of my listeners aren't. So give me both answers.

PETERS: All right, well, let's break it down a little bit. The upside to the minivan's unpopularity—with the exception of two models, which would be the Odyssey and its immediate rival, the Toyota Sienna. Those two are actually still relatively popular, and they're popular because they've been turned into Madden Mobile-type RVs. If you order all the bells and whistles, you can easily spend close to \$50,000 on either one of those, which is just startling, isn't it? But they are popular for that reason, and they're chiefly popular with people, not so much you had young kids but with empty-nesters who go out on road trips and antique and so on. But the other one, the Dodge Caravan, Nissan's minivan, and Hyundai's minivans. The good news about the unpopularity and the general social stigma that's associated with those is the fact that they're not trendy means that you usually have more wiggle room to haggle with the salesman on. If you go for a popular vehicle, you're just going to pay through the nose. That's the bottom line. So one of the advantages of shopping for a car that's not particularly popular and attractive is that you're going to have more wiggle room. You're going to have more opportunity to negotiate a good deal on the thing.

And yes, the old advice about shopping toward the end of the month is as valid now as it was 30 years ago, and the reason for that is that a dealer acquires his inventory and actually takes out a loan on the inventory, and it resets at the beginning of every month, so he has another payment on that vehicle if he still has it on his lot after the end of the month. So that's a good time to shop. Good times to shop too are in the middle of the week when it's slow, like a Wednesday. Not a good time to shop on the weekends, because that's when everybody else is shopping, and you want the psychology to your advantage. If you're the only game in town, you walk into an empty dealership, and the poor salesman is just sitting there by himself and wondering whether he's going to make any money today, and he sees you, he's going to be very happy to see you.

WOODS: What about Internet resources that are now available to car buyers that wouldn't have been available before—like, for example, TruCar? Are you familiar with any of these, and do you recommend any of them?

PETERS: Well, they're good for due diligence. They are good for becoming knowledgeable about your vehicle. It is infinitely easier now even for somebody who is not conversant with cars to become familiar with things like the manufacturer's suggested retail price, which is the vernacular for the sticker price, versus the invoice price, which is approximately what the dealer paid the manufacturer—Ford or Chevy or whomever for the car and to find out how much not just the car costs but how much options cost, to compare warranties, to compare features, packages, and so on. That was much, much, much more difficult before the Internet, and you can do that all that from your house from your desk without any pressure, without somebody breathing down your neck or looking over your shoulder.

One thing that's also extremely nice about the Internet, and this I recommend to people who dislike haggling, is that you can do your due diligence, you can research the vehicle that you want, narrow it down to one particular model, and then contact all of the dealers within an orbit that you're willing to drive—whether it's 50 miles from your house, or 100 miles, or 200 miles. Send them an email and tell them, look, I'm very interested in purchasing this particular vehicle, and give them a fair price—and a fair price is roughly about 3% above the dealer invoice—and see what they say and pit them against each other. When you get the reply from one, it's a little higher than you like, and another guy gives you a better offer, you can have them go at each other until you get the deal that you want and then make arrangements to go pick the car up.

WOODS: It amazes me that the consumer could actually have access to the dealer invoice. Is there any other industry where we actually know what the cost of—I don't know what the invoice for breakfast cereal is at the local grocery store. How do we know that? Why is that?

PETERS: It's actually very interesting, and I don't have a good answer for that. It's just tradition. Just like it's tradition to haggle. We don't haggle for refrigerators or any other consumer good that I'm aware of. You go in and the price is what it is, and you pay whatever the price is, and that's the end of the story. The car industry—several brands actually did try to do that model. Saturn, for example, tried to have the no-haggle structure. It didn't work. Apparently, because of tradition, or for whatever reason, people actually do like to hem and haw and back and forth and haggle over prices. People should know that when I speak of the dealer invoice price, it's an approximation. There are hidden things. There are incentives and holdbacks that occur between the manufacturer and the dealer that you as a consumer don't know about and which are not published, but the dealer invoice price that's readily available online will give you a very, very good ballpark approximation for where your price haggling should begin.

WOODS: Now, typically I hear that these dealerships want you to finance the car, because then they earn money on that end they get from the interest payments. I don't do car loans. If I can't

afford the car, I don't get the car. I go in, and I say, here's what I'm willing to pay for the car, and let's go. But there's some advice, I think, that you're supposed to negotiate, and then at the last minute you say to them once you've locked it in, you say okay, here's my check. I'm paying it in cash. But how can you actually do that, because if you're negotiating with a dealer, you're always negotiating over the monthly payment, but yet, if you were paying full cash, you would be negotiating a full price, so what's the deal?

PETERS: No, you'd be foolish if you focus on the monthly payment. In fact, that's a tactic that a lot of unethical dealerships use to get people to purchase a car that they really can't afford to, unfortunately, because a lot of people really can't do basic math, and will be gulled by the low, low monthly payment, not understanding that they are tied into this for six months, and that there are other things attached to it that they didn't take into consideration. When you buy a car, the thing that you should focus on is what the price of the car will be, and once you've determined the price of the car, then the monthly payments can be worked out.

WOODS: All right, so in other words I could still sound like a guy who might actually be willing to finance the car even though I'm talking about the full price of the car rather than monthly payments.

PETERS: Well, back it up. You shouldn't discuss financing just as you shouldn't discuss your trade or anything else before you've settled on the price of the vehicle. When you get to the point of talking turkey with the salesman, you've decided, okay, I want this particular car. Let's figure out what we're going to pay for it. That's what you talk about with the salesman. What am I going to pay for the car? Once that's settled, then you can determine things like your financing. And in fact, it's good advice to have set that up prior if you're going to finance the car, and by that I mean you should go to your bank, the credit union, which is usually better. Go there, and tell them, look, I am thinking about buying a car. What kind of a deal can you give me? What's the best interest rate, and so on? And you can tie all that down, and then when you're negotiating with the salesman and have negotiated the sale price of the car, and the issue of how you're going to pay for it comes up, you can discuss financing, and if their financing is more attractive than your bank or your credit union's financing, well, by all means you can go with that, but you shouldn't go into the transaction not knowing how you're going to pay for the car.

WOODS: But can't they turn around—in fact, I think this happened to me. I think this happened to me when I got my Santa Fe. I went ahead and said, all right, we've reached a deal, and I'm going to hand you a cashier's check, but at that point, then we had to talk about the trade-in, and so couldn't they then say, all right, he bamboozled us on buying the car outright, but we'll get him by giving him a terrible deal on the trade-in, right? Which, I mean, they were giving me an okay deal on the trade-in, but I just kept pushing and pushing, and then they wound up giving me almost an extra two grand.

PETERS: Right, well, they can do that for sure, and that's why you shouldn't tell them anything about your trade. If they ask you as you're coming into the store, ah, so, will you be trading in a vehicle, and you can just respond, well, I haven't really thought about that yet. Let's talk about the car. Because once you've settled the price of the car that you're going to buy, at that point, you can discuss the trade. The reason that you shouldn't mention anything about the trade beforehand is that a lot of times people will get distracted by this tactic, and this tactic is simply, oh, we're going to give you, say, let's just hypothetically toss out \$6,000 for your trade, and you were thinking, gosh, they will never give me more than \$3,500. I am feeling really good about that, and then your guard is down, and they will just make that up by jacking up the price of the vehicle that you're buying.

WOODS: Okay, I can see that, but my concern is, once I have already got the price of the car settled, and I've done it in a way that benefits me basically, can't they then take advantage of me in what they're going to pay me for the trade-in? At some point I do have to tell them I have a trade-in.

PETERS: Yes, you don't have to tell them that. You don't have to trade in. There's no law that requires you to trade in. Now, in the defense of the dealers, you know, dealers are not Satan. They are not the enemy. They're just trying to make money like everybody else.

WOODS: I understand that, and I don't think of them as antagonists or anything.

PETERS: I'll explain. So let's say you've cut a fair deal for both parties on your new car. You're bringing in your used car. They don't want to lose money on that deal, so what they're going to do is do some calculations, and they're going to figure out, okay, well, this vehicle is probably going to sell for, let's call it \$6,000 retail. That's what we can expect to resell your car for once we've taken it and cleaned it up and done whatever work it needs to have done on it. So they are then going to base their offer to you on that amount. They have in their head a predetermined percentage of profit that they need to make on your vehicle. Frankly, my advice to anybody who is in this position is to bite the bullet and sell the car yourself retail, because minimally you're going to make the retail of the car rather than the wholesale. The dealership has to resell the car, and is going to offer you usually what amounts to the wholesale value of your vehicle, which is going to be on the order of 15 to 20% less than what that car's retail book value would be on the market.

WOODS: I see. I just took it as automatic that naturally you trade in to the dealership. It never occurred to me that I could always sell the car on my own. But I don't know that I really want to do that and have people come over to my house, and I've got to haggle with them, and I don't know, maybe the aggravation is worth the 15, 20% premium.

PETERS: Well, that's the decision that everybody has to make for themselves. It comes down to well, okay, it depends on the value of the car, too. If you're talking about a really tired old car, and it's only worth \$2,500 dollars retail, let's say, who cares? Trade the thing in for—the dealer gives you \$2,800 for it, you know, so \$1,000 or whatever, and you don't have to worry about

people calling you up and coming to your house. On the other hand, if it's a more valuable car, and you're looking at potentially saving yourself \$2,500 or something more than that, to me, and this is subjective, it's just my personal opinion, I don't mind putting an ad out there and dealing with people to make myself \$2,500.

WOODS: I'm looking at your website right now. It is ericpetersautos.com. But you've got a nice, easy shortcut to get there, epautos.com, that you mentioned before. It's a nice redirect. So I want to urge people to check it out—epautos.com. It's not just libertarian stuff. It's also just talking about all kinds of news related to cars—new models that are on the market, and you've just got an enormous amount of knowledge about it. What sorts of things would people encounter on a typical day, a typical week, on your site? What sorts of things do you update them on?

PETERS: Well, it's very eclectic. It depends on what's going on in the news. It also depends on what I happen to be fooling around with. For example, I also write frequently about motorcycles, and particularly old motorcycles, which I am a big aficionado of, and about a week or so I was tearing apart one of my bikes, and I discovered all kinds of goo, and rust, and stuff inside the fuel system because of the ethanol, the alcohol-laced gas that the federal government has been force-feeding to the public. This stuff is really, really bad news for older vehicles like mine, and some of my motorcycles that are 40 years old or older that were built before the advent of the fuels and which were just not designed to deal with them.

WOODS: All right, and can I ask you one last thing. I'm sorry to be so out of it. What does the—I don't know—avatar, or whatever it is on your site mean?

PETERS: Oh, the clover.

WOODS: Yeah, what does that mean?

PETERS: Okay, well, this requires a bit of history. You probably have heard about Internet trolls.

WOODS: Sure.

PETERS: People who go to websites just to be confrontational, abrasive, to try to disrupt conversations and just generally make themselves into a big pain in everybody's butt. Well, several years ago at EP Autos we started getting posts from a person who identified himself as Clover. So I can't take credit for choosing the name. He chose the name. Anyway, this individual, this Clover, can see no wrong in anything the government, law enforcement, the regulatory apparatus does. He is a cheerleader for coercive collectivism. He rails endlessly against individualism, liberty, and so on, and he's become kind of my foil, even my muse, if you like, and we've just kind of developed it into a little shtick. We give him a little clover logo in green, and whenever I post something in response, I have my little red clover with an X through it.

WOODS: I get it. Okay. Well, good for you.

PETERS: It's inside baseball. It's something people who are regulars at the site know all about.