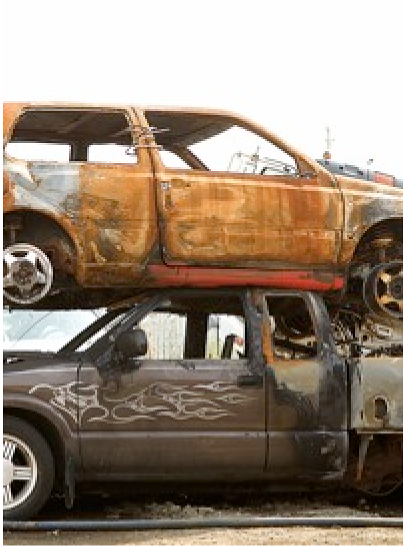
Written by [Steven J. DuBord]() on August 25, 2009

Cash-for-clunkers Sputters to a Close



Like one of the old jalopies it is supposed to remove from the road, the $3-billion cash-for-clunkers program sputtered to a close on August 24. The allegedly successful boost to the economy left in its wake "a nightmare of red tape and computer glitches for dealers who are owed millions of dollars by the government," the Los Angeles Times reported on August 25.

Of course, the Obama administration was quick to focus on what it believes the program has accomplished. The White House Council of Economic Advisors estimated that the cash-for-clunkers program would boost economic growth by 0.3 percent to 0.4 percent in the third quarter while creating or saving 21,000 jobs. "This program has not only helped hundreds of thousands of consumers purchase new more fuel efficient vehicles, but has provided a boost to our economy and is helping create or save jobs at dealers and automakers across the country," the White House said.

Maybe some of this will pan out — eventually, but the program has been a model of government inefficiency. The Transportation Department's website, which has been plagued by problems, crashed for at least six hours on August 24 as dealers flooded the site with last-minute rebate applications, according to Bailey Wood, a National Automobile Dealers Association spokesman. In light of the ongoing computer problems, the group asked for an additional week to submit applications; the Transportation Department deigned to extend the deadline by a mere 16 hours. Up until the website crashed, 625,000 applications worth more than $2.5 billion had been submitted by dealers.

"They are making sales, but it is a program that has been very poorly executed," said Michelle Krebs, senior editor of AutoObserver.com. "There have been computer issues and paperwork issues from Day One — just nightmarish."

Fritz Hitchcock, the owner of three Toyota dealerships and two BMW stores in Southern California, said he moved about 450 vehicles off his lots that qualified for cash. Now the government owes him almost $1.9 million in reimbursements. He quit taking clunkers on the night of August 20, and all of his paperwork has been turned in, but he has yet to receive anything from Uncle Sam. "We've got to see some money in the next two weeks," he said. "We've got payrolls to meet."

Even when the money finally rolls in, the boost it provides will be only temporary. In fact, the [Associated Press]() reported on August 24 that "the big rush to car lots this month may have had the unintended effect of stealing sales from this fall and next year." J.P. Bishop, president of a central

Maryland dealership chain, expressed concern: “I am really worried about this winter. If you didn’t buy now, the only reason you are going to buy over the next three or four months is because your car died.”

That the Obama administration can tout the cash-for-clunkers program as a success is amazing. The money the Transportation Department is handing out to spur car sales is either the very same tax money that car buyers and dealers surrendered to the government in the first place, minus all the money spent on a crash-prone computer system, or newly printed dollars that will only add to the total number of dollars in circulation, thereby causing the value of all dollars to decrease.

Now that the program is over, sales will not continue. The artificial incentive is gone. And any car dealer unwise enough to create new jobs with his government money will probably end up laying off those new employees when sales die down.

It will also be interesting to see how many customers were lured into making a deal that they really couldn’t afford. Having a new car for a few years only to lose it when payments aren’t made won’t seem like such a good deal down the road.

The real long-term winners will likely be the politicians who supported the program. They may have bought themselves some votes from those 625,000-plus new car owners and the dealers who made the sales.