

Prius Follies, Take Two

Since we're still on the subject of fuel mileage—or at least still responding to email after a column two weeks ago on the Toyota Prius—let's spill a few more gallons of petroleum-based ink.

The Prius is a nifty gadget and comes with lots of extras. But Toyota markets the vehicle on its fuel efficiency, and fans tout its fuel efficiency. And our point was to debunk the idea that saving gasoline is a virtue independent of economics, such that it makes sense, say, to spend a buck to reduce gas use by 50 cents.

Edmunds.com, the auto shopper site, guided us to Honda's Civic and Toyota's Corolla as conventional alternatives to the hybrid Prius. This was the source of our claim that the Prius retails for \$9,500 more than comparable vehicles. In its own research, Edmunds concluded a Prius owner would have to drive 66,500 miles per year or gasoline would have to jump to \$10 for the purchase to pay off.

But don't take our word for it. Kazuo Okamoto, Toyota's research chief, recently told the Financial Times that, in terms of fuel efficiency, "the purchase of a hybrid car is not justified."

Now, as an economic matter, overpaying for the privilege of saving gasoline is simply a subsidy to other gasoline consumers. Also as a regulatory matter: Thanks to the special genius of our corporate fuel economy rules, Prius

buyers directly underwrite Toyota's ability to sell more SUVs and pickups in the U.S. market without paying the fines that Mercedes, BMW and Volvo long ago accepted as a cost of doing business in the U.S.

But doesn't saving oil have benefits beyond the dollars saved—for instance, postponing the doom of civilization?

No: If Prius owners consume less, there's less demand, prices will be lower and somebody else will step up to consume more than they would at the otherwise higher price. That's the price mechanism at work. Oil is a fantastically useful commodity. Humans can be relied upon to consume all the oil they'd be willing to consume at a given price.

But wouldn't using less oil make us less dependent on Mideast imports?

Just the opposite: In the nature of things, the cheapest oil is consumed first, and Mideast oil is the cheapest. Drive a Hummer if you want to reduce America's reliance on Arab oil. Indeed, if we could all just pull together and drive gasoline prices high enough, we'd be able to satisfy all our fuel needs next door from Canadian oil sands.

Let it also be noted our primary political interest in the Middle East over the past 50 years has been Israel, which has no oil. Even Saddam would have been delighted to sell us all the oil we wanted if we had been prepared to acquiesce in his extracurricular depredations. Our attempt to reform Iraqi society is costing us many multiples of the real value of Iraqi oil exports to the world market.

To wit, let's not underestimate the

degree to which our overseas entanglements are despite our interest in oil, rather than because of it.

Not that Toyota is to blame for the mystification of energy economics, which is a hardy perennial without which the nation's pundits could hardly make their gardens bloom on a semi-weekly schedule year after year. Take a bit of fluff from a group called 40mpg.org, a subsidiary of the Civil Society Institute. It recently put out a list of 89 vehicles made by major global auto makers that rate 40 miles per gallon or better.

A bauble needs no justification.

These cars include the Ford Fiesta, Volkswagen Lupo and Toyota Yaris, none of which is available in the U.S. Only two vehicles sold in the U.S. get 50 mpg or better, compared to 39 such cars overseas. The group underlined its polemical point with a poll purporting to show that 88% of Americans believe "U.S. consumers should be able to get the best of the more fuel-efficient vehicles that already are available in other countries."

Try not to be bowled over by the paradox: In the hyper-competitive U.S. car market, manufacturers are withholding fuel-efficient cars that Americans would be eager to buy.

All this really proves is the pollster's facility for getting large majorities to affirm views at odds with their own behavior. Such fuel scrimpings sell in Europe because gas retails \$5 a gallon, thanks to petrol taxes that feed the welfare state and keep the autobahns clear of poor people. Americans make

an equally sensible decision, in dollars and cents, when they skip over fuel efficiency in favor of features more important to them, such as size, comfort and horsepower.

Several Prius partisans emailed to say they purchased their cars not to save money but to save the earth, or at least make a statement about doing so. That's a perfectly good reason to buy a car (as is wanting to meet girls). However, we doubt their Hollywood coreligionists would be so keen on solidarity if it meant driving around town in a Ford Fiesta.

In any case, fuel economy plays an ambiguous role in the fight against air pollution. Our considerable progress against the traditional pollutants has come by specifying allowable emissions per mile driven, not per gallon consumed. Meanwhile, CAFE rules raise the cost of a car while reducing the cost of operating it. Being rational even when they don't mean to be, consumers respond by getting more use out of their cars—driving 15,000 miles per year, up from 10,000 since the rules were adopted. (And auto makers have met this demand by greatly improving vehicle reliability.)

That leaves carbon dioxide, aka greenhouse gas, to support the increasingly rickety rationale for treating fuel efficiency as a socially desirable end in itself. Here, we can only suggest Prius fans might do the planet more good by convincing the American public of the merits of nuclear energy, the closest thing to a genuinely "green solution" to energy challenges in the real world.

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