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Inside: *References, Story Ideas*

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Environmental Issue:

Auto Fuel Economy Standards: Good for the Environment or a Cause of Highway Deaths?

"Proponents say CAFE saves oil; opponents say CAFE costs lives."

Background. The Corporate Average Fuel Economy (CAFE) program was part of legislation enacted in 1975 to reduce American dependence on foreign oil. CAFE required automobile manufacturers to achieve certain minimum fuel economy averages for vehicles they sold in the United States beginning with the 1978 model year. The standard has been increased from 18 miles per gallon in 1978 to 27.5 mpg at present. Senator Richard Bryan (D-NV) has introduced legislation to increase the standard to an effective 34 mpg by 1996 and 40 mpg by 2001.[1]

The Case for Increasing CAFE Standards. Supporters of the Bryan bill seek to reduce American use of energy and to decrease dependence on foreign oil. They maintain that automobile fuel efficiency has increased since 1975, and that motorists are using 2 million fewer barrels of oil per day because of the original CAFE Act. Implementing the increased standards will reduce fuel consumption by another 2.5 million barrels a day by 2005, they say. Supporters of the bill say it also will reduce air pollution and the production of greenhouse gases, which contribute to global warming.

The Case Against. Studies show that CAFE is already responsible for 2,200 to 3,900 additional traffic deaths per model year fleet because it has forced a decrease in vehicle weight, putting smaller, less safe cars on the road.[2] Raising the CAFE standards would more than

What's Wrong with the Bryan Bill

"It would decrease safety, harm U. S. competitiveness, put U. S. workers out of jobs and curtail consumer choice in the car marketplace."[1]

Jerry Curry
Administrator of the National Highway Traffic Safety Administration

"It's the Highway Death Act of 1991."[2]

James Watkins
Secretary of Energy

"There is a growing consensus among the experts: CAFE is dangerous to occupants of automobiles."

"There's no question, in our view, that it will lead to more occupant deaths and serious injuries."[3]

Insurance Institute for Highway Safety

"[It] would be a setback to automobile safety that is without precedent, more than wiping out the safety benefits of any single government regulation in the field."[4]

John Graham
Professor of Public Health
Harvard University

"Once this stringent standard took full effect, it would cause an increase of 4,800 to 8,600 excess occupant deaths over the lifetime of the cars produced in any model year."[5]

Robert Crandall
Senior Economist
Brookings Institution

[1] *Washington Post,* March 16, 1991.

[2] Testimony before Senate subcommittee, February 28, 1991.

[3] Associated Press, February 20, 1991.

[4] Testimony of the Competitive Enterprise Institute to House Subcommittee on Water, Power and Offshore Energy Resources, Hearings on Energy Efficiency as a Strategy for Energy Independence, September 11, 1990.

[5] Testimony of the Competitive Enterprise Institute to House Subcommittee on Water, Power and Offshore Energy Resources, Hearings on Energy Efficiency as a Strategy for Energy Independence, September 11, 1990.

double the number of CAFE-caused fatalities. Opponents say it is not clear that the action will reduce reliance on foreign oil and argue that tougher standards will motivate American manufacturers to shift their large car production overseas, costing thousands of American jobs. There is also evidence that higher standards may actually cause increased pollution. Even under the most optimistic scenario, opponents say the Bryan bill will have virtually no effect on global warming.

Increasing Highway Deaths

CAFE's deadly effect on traffic safety stems from one basic fact: all other things being equal, large, heavy cars are more crashworthy than small, light cars, but they are also less fuel efficient. The relationship between size and safety has been established beyond dispute by two decades of traffic safety research.

"In order to make cars more fuel efficient, automakers must make them smaller and lighter."

The relationship between size (or weight) and fuel efficiency is illustrated by the downsizing of American cars that accompanied their rapid increase in fuel efficiency in the last 15 years. Part of this downsizing is attributable to the consumer's desire to shift to smaller cars in the wake of gasoline price increases in the late 1970s and early 1980s. Since then, however, as gasoline prices have stabilized and even begun to fall, CAFE has become the dominating force, stifling renewed consumer demand for larger cars.

- The average weight of a car on America's highways has decreased by 1,000 pounds since the Arab oil embargo of 1973, and about half the drop has been caused by CAFE regulations.

- If the 40 mpg standard is approved, car weight will be reduced still more — some estimates say by another 1,000 pounds.

Government Studies. The National Highway Traffic Safety Administration (NHTSA) has long recognized the danger of smaller cars versus larger ones. Based on studies completed in April, the NHTSA reported:[3]

- The reduction in average vehicle weight from 3,700 pounds to 2,700 pounds increased traffic deaths by nearly 2,000 per year and serious injuries by nearly 20,000.

"Smaller cars give people less protection in auto collisions."

- In multi-vehicle collisions, in single-car accidents, in rollovers, ejections and fixed-barrier collisions, occupants of small cars are nearly always at more risk than occupants of large cars.

- Small cars fare badly in collisions with larger cars, but even a collision between two 2,700-pound cars is 10 percent more likely to result in serious injuries than a similar collision between 3,700-pound cars.

Insurance Industry Studies. Further evidence of the danger of downsizing comes from the auto insurance industry, whose economic livelihood is directly tied to correctly assessing the crashworthiness of the vehicles it insures.

"Because of the current standard (27mpg) cars are 500 pounds lighter than they otherwise would be."

- The Insurance Institute for Highway Safety reports that the death rate in the smallest cars on the road is more than double the rate in the largest cars, in both single- and multi-vehicle crashes and regardless of driver age.[4]

- The Highway Loss Data Institute's annual reports on injury and collision losses invariably show a strong association between small car size and injuries and losses, even after adjusting for driver age.[5]

When the Insurance Institute for Highway Safety compared the death rate for specific models before and after downsizing, it found:

- Of the 11 General Motors car types that were downsized between the 1977 and 1986 model years, death rates are higher for 10.

- General Motors cars that were not downsized showed no such pattern of increased death rates.

The Brookings/Harvard Study. A study by Robert W. Crandall, senior economist at the Brookings Institution, and John D. Graham, a professor of public health at Harvard University, concluded:[6]

- The current CAFE level of 27.5 mpg has reduced new car weight by about 500 pounds.

- This downsizing, in turn, is responsible for an increase of 14 to 27 percent in fatalities, or 2,200 to 3,900 additional deaths over the life of each year's fleet.

"Downsizing is responsible for as many as 3,900 additional deaths over the life of each year's fleet."

Crandall estimates that the Bryan bill's 40 mpg standard would produce an increase of 30 to 60 percent in fatalities, or 4,800 to 8,600 additional deaths over the lifetime of the cars produced in any model year. [See Figure I]

The method developed by Crandall and Graham also can be used to estimate how many deaths would occur due to CAFE regulations once *all* cars on the highway meet the standards. It would take about ten years for all old cars (not meeting the standards) to be replaced by new ones. After that, the death tally would be much higher. For example, the Competitive Enterprise Institute estimates that:

- If all cars on the highway met the current CAFE standard (27.5 mpg), ten years of regulation would produce as many as 67,000 additional highway deaths.

- Under the proposed CAFE standard (40 mpg), ten years of regulation would produce as many as 150,000 additional highway deaths. [See Figure II.]

These regulations affect all states. But some are affected more than others. [See Table I.] For example:

- Under the proposed CAFE standard (40 mpg), California would experience 15,000 additional highway deaths after all cars on the highway complied with the higher standard for ten years.

- In Texas and Florida, ten years of higher CAFE standards would lead to more than 9,000 additional fatalities.

- Additional highway deaths would exceed 7,000 in New York and Pennsylvania and 6,000 in Illinois, Michigan and Ohio.

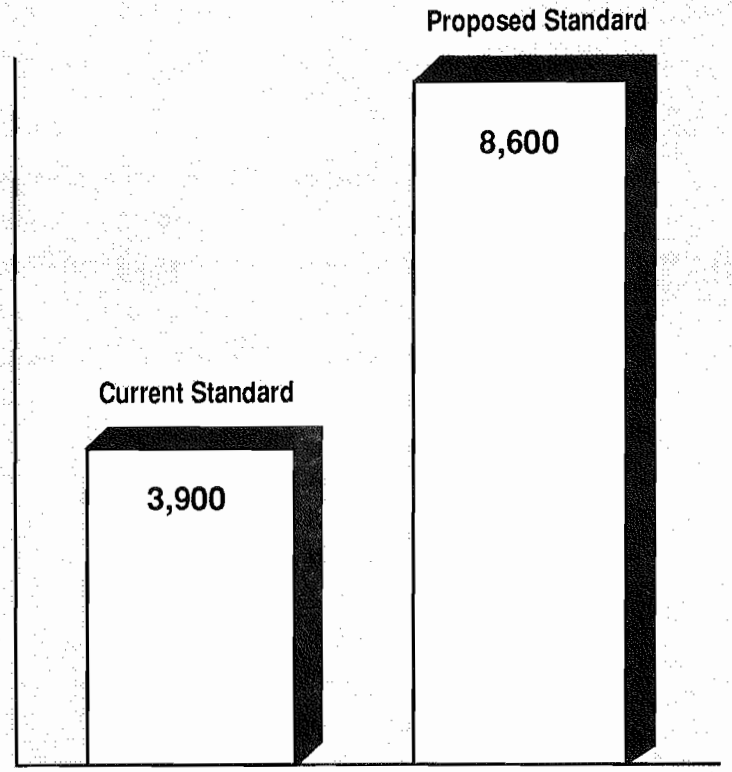
In response to the mounting evidence that higher CAFE standards make cars less safe, CAFE proponents have advanced a number of counterarguments. For example, proponents argue that (1) highway fatalities have been falling even though CAFE standards have been rising; (2) *existing* technology can be used to increase fuel efficiency without downsizing; (3) *new* technology can be used to

"Under the proposed standard (40 mpg) each years fleet cause as many as 8,600 additional deaths."

FIGURE I

Highway Deaths Caused By One Year of CAFE Regulation[1]

(Upper-bound estimate)



[1]Number of additional deaths over the lifetime of automobiles produced in one year.

increase fuel efficiency without downsizing; and (4) passengers can be protected by other safety devices. Let us look at each of these arguments in turn.

The Long-term Decline in Highway Fatalities. Supporters of the Bryan bill argue that although average car weight has dropped by nearly 1,000 pounds since 1975, the rate of occupant deaths per mile travelled has decreased. Therefore, they contend, car size and car safety are not really related.[7] The death rate, however, has been dropping not just since 1975, but for the last 50 years. The evidence shows that the death rate would have dropped even further in recent years had it not been for the downsizing produced by CAFE.

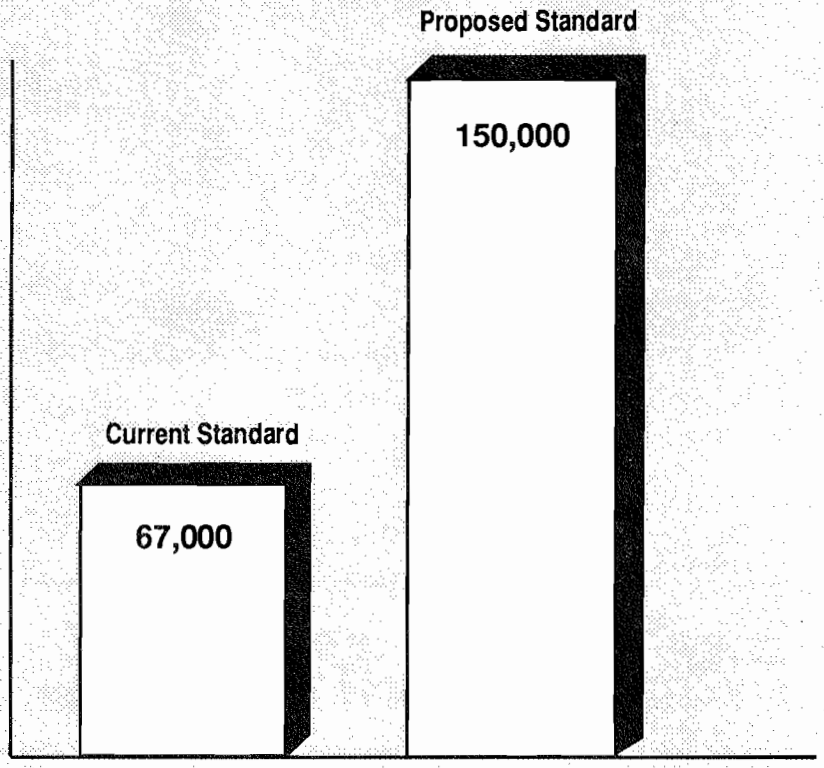
Using the proponents' logic, one could argue that AIDS is not a health hazard because average life expectancy has increased by nearly a year since the first appearance of this disease in the United States in 1981. Life expectancy in the United States, of course, has been steadily increasing not only since 1981 but since colonial times.

"Ten years of higher standards would cause as many as 149,000 additional deaths."

FIGURE II

Highway Deaths Caused By Ten Years of CAFE Regulation[1]

(Upper-bound estimate)



[1]Assumes all cars on the road comply with the standard. Number of additional deaths is over the lifetime of the cars produced.

"Even with new technology, there would still be a tradeoff between fuel economy and safety."

Use of Existing Technology. The proponents argue that we can increase fuel efficiency without downsizing by making use of existing technology. What they frequently fail to mention is that these gains can be achieved only by denying many consumers the opportunity to buy the cars they prefer.

For example, in the 1988 model year, 45 percent of the cars Honda sold in the United States were Accords. Honda's sales also included 27 percent Civics, 9 percent Preludes, 9 percent Integras and 10 percent Legends. If Honda were to meet the Bryan standard in 1996 without technological improvements, it would have to sell 95 percent Civics, 5 percent Accords — and none of the other models. If this occurred, downsizing would have taken place anyway because Honda would be replacing its larger-sized models with its smaller-sized models.

"Ten years of higher CAFE standards would produce as many as 15,000 additional deaths in California."

TABLE I

Highway Deaths Caused by Ten Years of CAFE Regulations

	Additional Caused by the Current Standard	Additional Caused by the Bryan bill
Alabama	850-1700	1850-3700
Alaska	50-100	100-200
Arizona	500-1000	1100-2200
Arkansas	450-850	950-1900
California	3500-6750	7500-15000
Colorado	350-700	800-1600
Connecticut	300-600	650-1300
Delaware	100-200	200-400
D.C.	50-100	100-200
Florida	2200-4300	4750-9500
Georgia	1250-2400	2650-5300
Hawaii	100-200	200-400
Idaho	150-300	350-700
Illinois	1500-2850	3200-6400
Indiana	850-1650	1850-3700
Iowa	400-800	900-1800
Kansas	350-650	750-1500
Kentucky	650-1300	1450-2900
Louisiana	600-1150	1250-2500
Maine	150-300	350-700
Maryland	550-1100	1200-2400
Massachusetts	550-1050	1200-2400
Michigan	1500-2850	3150-6300
Minnesota	500-950	1100-2200
Mississippi	600-1200	1300-2600

"In Florida and Texas there would be more than 9,000 additional deaths."

Missouri	850-1600	1800-3600
Montana	100-200	200-400
Nebraska	250-450	500-1000
Nevada	200-400	450-900
New Hampshire	150-300	350-700
New Jersey	700-1350	1500-3000
New Mexico	300-550	600-1200
New York	1700-3250	3600-7200
North Carolina	1250-2400	2650-5300
North Dakota	50-100	100-200
Ohio	1550-2950	3300-6600
Oklahoma	450-900	1000-2000
Oregon	450-900	1000-2000
Pennsylvania	1650-3200	3550-7100
Rhode Island	100-150	200-400
South Carolina	800-1550	1700-3400
South Dakota	120-250	250-500
Tennessee	900-1750	1950-3900
Texas	2150-4200	4650-9300
Utah	200-400	500-1000
Vermont	100-200	200-400
Virginia	800-1600	1750-3500
Washington	600-1150	1250-2500
West Virginia	400-800	900-1800
Wisconsin	750-1400	1550-3100
Wyoming	50-150	150-300
U.S. Total (rounded)	35,000-67,000	75,000-150,000[1]

[1]These calculations are based on the effect of the standard in the 10-year period after all cars on the road comply. If the Bryan bill's 40 mpg standard took effect in the year 2001, cars built under that standard would fully replace the existing fleet in about 2011.

Source: Calculations by Competitive Enterprise Institute based on a model developed by Robert Crandall (Brookings Institution) and John Graham (Harvard University).

The U.S. government's Office of Technology Assessment (OTA) has studied ways of increasing fuel efficiency for the entire U.S. car fleet while at the same time maintaining the 1990 average car size and performance standards. According to the OTA:[8]

- The maximum use of technology available could raise fuel economy to about 38 mpg by 2001.
- To achieve this goal, however, sports cars and full-sized sedans would have to be completely eliminated, and the rest of the auto fleet would have to be completely redesigned.

Use of New Technology. Advocates of higher CAFE standards argue that we can avoid further downsizing through new fuel-saving technologies. But the last 15 years have seen many technological innovations, such as aerodynamic design, new lightweight materials, front-wheel drive, reduced-friction lubricants, etc. Despite all these advances, there was significant downsizing. There is no reason to think that this combination of trends would not continue.

"Higher CAFE standards have already offset the safety effects of air bags."

More importantly, CAFE imposes a size-safety tradeoff *regardless of what technologies are employed to conserve fuel.* Even the most technologically advanced vehicle would be safer if it were slightly larger, but it would also be less fuel-efficient. This tradeoff can be seen in today's car market, where the current CAFE standard prevents cars from being "upsized" in response to consumer demand. Ford and GM, for example, are under market pressure to add occupant and trunk space to many of their aerodynamically designed models, but CAFE prevents them from doing so.

Using Other Safety Devices. Proponents of the Bryan bill argue that auto safety can be achieved with other measures. However, no matter what safety devices are employed, downsizing automobiles makes them less safe than they would have been. In fact, CAFE standards have already eliminated many of the benefits of current safety measures. For example:

- Adding air bags has been estimated to be the equivalent of increasing a car's mass by 385 pounds.[9]
- This means that the safety benefit of air bags may already have been more than offset by the 500-pound downsizing of cars caused by current CAFE standards.

Switching Sides. Several proponents of higher CAFE standards have in the past written extensively on the hazards of small cars. In 1972 the Center for Auto Safety published *Small — On Safety,* a critique of the Volkswagen Beetle that details the inherent crashworthiness problems of small cars. Today, the Center has apparently subordinated safety to advocacy of yet another government program.

Reliance on Foreign Oil

The principal argument for the Bryan bill is that it will reduce oil consumption in the United States and therefore decrease American dependence on foreign oil. Raising CAFE standards, proponents argue, will save almost four times the oil imported daily from Kuwait and Iraq combined before the war in the Persian Gulf.

However, our dependence on foreign oil is more closely linked to the international price of oil than to the amount of oil we consume:[10]

"U.S. oil consumption has varied very little since 1973."

- U. S. oil consumption has varied little since the Arab oil embargo of 1973 — in 1989 it was almost exactly the same as 16 years earlier.
- Yet U. S. dependence on foreign oil has grown by 20 percent, rising from 35 percent of total consumption in 1973 to 42 percent in 1989.
- In general, the percentage of oil imported varies inversely with the price of oil, which has fallen 40 percent in real terms since 1980.

In the international oil market, U.S. producers are the high cost producers. Thus, when the price of oil falls, these producers leave the market first. Any public policy that reduces U.S. consumption may also cause the international price of oil to fall. If that should happen, our dependence on foreign oil would go up, not down.

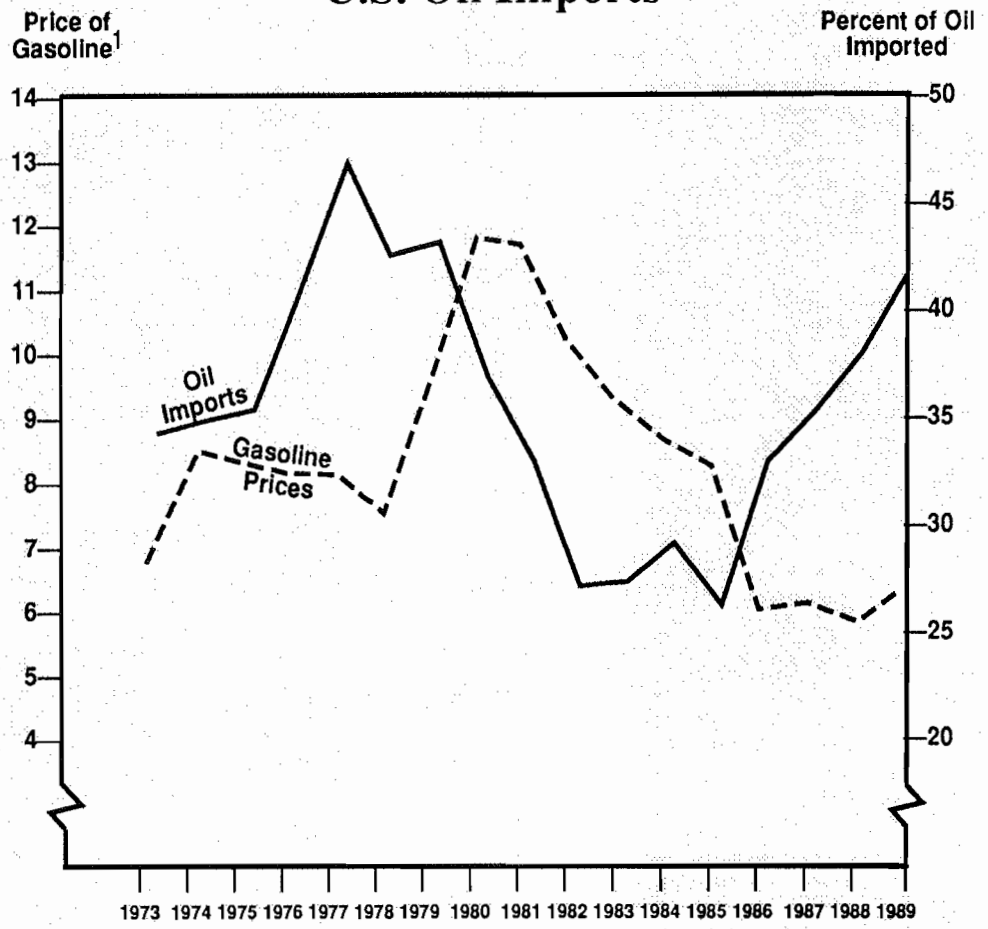
CAFE and Jobs

Compliance with higher CAFE standards would require a substantial increase in the market share of small cars. Subcompacts make up only 15 percent of the U. S. market, and cars averaging more than 40 mpg make up only 3 percent. Since more labor is needed to

"Our dependence on foreign oil is linked mainly to the price of oil."

FIGURE III

Cost of Gasoline and Percentage of U.S. Oil Imports



[1]Cost of leaded regular gasoline per million BTUs (scale on left).

Source: Energy Information Administration, *Monthly Energy Review*, September 1990.

make large cars, an increase in the market share of small cars would likely mean a loss of jobs. American manufacturers would almost certainly consider shifting the production of large cars overseas, meaning additional loss of jobs. Under CAFE legislation, domestic-made and foreign-made vehicles from the same manufacturer are considered separately, and each fleet must meet the CAFE standards independently. By moving some large car production abroad, domestic manufacturers could offset the lower fuel economy of their big cars with the higher fuel economy of smaller foreign cars, and at the same time raise the average fuel economy of their domestic fleet. But why should we enact laws that send jobs abroad?

CAFE and the Environment

CAFE supporters contend that higher mpg cars would reduce air pollution and global warming. Yet the environmental argument for higher CAFE standards is especially weak. There is considerable evidence that the threat of global warming has been exaggerated.[11] Even if it has not, higher mileage standards will be of little help in fighting the problem:

- Carbon dioxide from U.S. passenger cars accounts for only 2.8 percent of worldwide carbon dioxide, which in turn makes up only half of the "greenhouse gases."

- Removing all cars from the United States would cut greenhouse emissions by only about 1.4 percent and would reduce projected warming by less than .03 degree Centigrade worldwide. [12]

"Removing all U.S. cars from the road would cut worldwide greenhouse emissions by only 1.4 percent."

Not only would higher CAFE standards have virtually no effect on global warming, they could actually make the problem worse. Studies show that the amount of auto air pollution is far more closely related to the design and maintenance of cars than to the amount of fuel they consume:[13]

- About 10 percent of the cars on the road (mainly older cars that are not tuned up) cause about 50 percent of auto-generated air pollution.

- Almost all new cars meet much higher standards and contribute very little to air pollution.

- Yet higher CAFE standards would make new cars more expensive, encouraging people to hold onto their older, more polluting vehicles longer.

Higher CAFE standards could also cause environmental harm in another way. To make cars lighter, manufacturers will have to use more plastic instead of metal parts. When cars get shredded, the nonmetal parts go to landfills while the metal is melted down and recycled. Increasing the amount of plastic in cars will crowd landfills, reduce car scrappers' profits and discourage auto scrap recycling.

The Politics of CAFE

Most purchasers of automobiles are probably not aware of the existence of CAFE standards. Even if they are, they have no way of calculating the personal cost of the regulations. This is the main reason why politicians favor CAFE regulations over direct policy solutions. Under CAFE, voters are largely unaware of the financial and safety costs they are being forced to endure.

If the goal of CAFE regulations is to reduce fuel consumption, the most logical way to achieve it is to increase tax on fuel. Consumers would react by reducing driving and buying more fuel efficient cars. To the degree that fuel efficiency is a desirable characteristic, auto producers would have market-driven incentives to respond. Moreover, studies show that market incentives work.[14]

A visible tax on fuel would allow consumers and producers a full range of options. It would allow the marketplace to find ways of reducing fuel use without increasing the burden on drivers. A visible tax on fuel would also encourage people to become knowledgeable participants in the political decision about whether fuel consumption should be reduced, and if so, how much.

"Politicians favor regulations where the cost is hidden from consumers."

The goal of reduced fuel consumption, however, is itself highly debatable. And since a tax increase would mean that consumers would know exactly what they were being forced to pay it is possible that the proponents would lose the argument. Apparently, many in Washington have decided that a straightforward political debate is bad politics.

Conclusion

Since the CAFE standards were enacted, American dependence on foreign oil has increased. Meanwhile, to reach the current CAFE standard of 27.5 mpg, manufacturers have reduced new car weight by about 500 pounds, causing an estimated 2,200 to 3,900 additional auto accident fatalities in each model year's fleet. These deaths are occurring now.

In raising the CAFE standard to 40 mpg by the end of the decade, the Bryan bill would more than double the number of annual CAFE-caused fatalities, leading to thousands of unnecessary auto deaths without any discernible benefit in return.

Fred L. Smith
Competitive Enterprise Institute

Footnotes

[1] Each auto manufacturer's target would actually be based on its fleet average in 1988, with a required improvement in fuel economy of 20 percent by 1996 and 40 percent by 2001, so the standard would vary slightly from manufacturer to manufacturer. CAFE is calculated on the average fuel efficiency of all cars sold by a manufacturer, rather than on each model, so the mix of models consumers choose has an effect on the fleet average. Domestic-made fleets and foreign-made fleets, even if made by the same manufacturer, are considered separately, although the standards are the same. The mpg performance of each model vehicle is calculated from the combined average of city and highway mileage, according to tests conducted by the Environmental Protection Agency. If the average for a fleet fails to meet the requirements, a fine of $5 is imposed on every vehicle in the fleet for each one-tenth mpg the average falls short. The Bryan bill would keep the same procedures but increase the penalties.

[2] Robert W. Crandall and John D. Graham, "The Effect of Fuel Economy Standards on Automobile Safety," *Journal of Law and Economics*, Vol. 32, April 1989, p. 97.

[3] "Effect of Car Size on Fatality and Injury Risk," National Highway Traffic Safety Administration, May 1991. The NHTSA was voicing concern about the tradeoffs between fuel efficiency and safety as early as 1977. By 1981, the NHTSA said, "Safety standards have saved more than 64,000 lives since 1968, but these gains are being outweighed by the shift to smaller cars." Despite these statements, however, and despite the NHTSA's opposition to higher CAFE standards on safety grounds, the agency refuses to admit that its current 27.5 mpg CAFE standard has any lethal effect. The Competitive Enterprise Institute is challenging the agency's position in federal court.

[4] Insurance Institute for Highway Safety, *Status Report*, September 8, 1990, p. 4.

[5] Annual reports, Highway Loss Data Institute.

[6] Crandall and Graham, "The Effect of Fuel Economy Standards on Automobile Safety."

[7] See column by Jessica Mathews, vice president of World Resources Institute, "High Mileage and the Safety Excuse," *Washington Post*, March 8, 1991.

[8] Office of Technology Assessment, Hearings Before the Senate Committee on Energy and Natural Resources on S. 41, March 20, 1991, pp. 177, 195-196.

[9] See L. Evans, "Passive Compared to Active Approaches to Reducing Occupant Fatalities" seven (GM Research Laboratories, Experimental Safety Vehicle paper number 89-5B-0-005), March 1989, p. 7. After reviewing the Crandall-Graham study, the National Safety Council expressed concern that even the current CAFE standards "may pose a significant threat to the safety of American motorists." Letter from Charles A. Hurley, Vice President for Public Policy, National Safety Council, to NHTSA, September 13, 1988.

[10] Energy Information Administration, *Monthly Energy Review*, September 1990, pp. 15-16.

[11] See Kent Jeffreys, *Why Worry About Global Warming?*, National Center for Policy Analysis, NCPA Policy Report No. 96, February 1991.

[12] Warren Brookes, *Washington Times*, May 20, 1991.

[13] See R. Henderson, "Going Mobile," *Reason*, August/September 1990, pp. 32-33; Robert W. Crandall, et al., *Regulating the Automobile* (Washington, D.C.: Brookings Institution, 1986), p. 144. W. G. Laffer, "Auto Safety Standards: Unsafe and Unwise At Any Level", Heritage Foundation Backgrounder, April 19, 1991.

[14] For the first five years under CAFE's regulations, improvements were almost exactly what could have been predicated from changes in gas prices alone. In fact, gasoline price increases drove the average fuel economy of new vehicles up faster than did CAFE requirements. From 1983 on, gasoline prices fell — and fuel efficiency increases were caused by regulations, not by consumer preferences. See Crandall and Graham, "New Fuel Economy Standards?", *The American Enterprise*, Vol 2, No. 2, March/April 1991; and *Issue Analysis*, American Legislative Exchange Council, February 29, 1991.

About the Author

Fred L. Smith is president of the Competitive Enterprise Institute, a pro-market public interest organization based in Washington, DC. Before founding CEI in 1984, Mr. Smith was a senior policy analyst with the U.S. Environmental Protection Agency and a research economist for the Association of American Railroads. He has written on a wide range of transportation, environmental and energy policy issues. This article is based on CEI's work on CAFE over the last five years.

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NCPA forecasts show that repeal of the Social Security earnings test would cause no loss of federal revenue, that a capital gains tax cut would increase federal revenue and that the federal government gets virtually all the money back from the current child care tax credit. These forecasts are an alternative to the forecasts of the Congressional Budget Office and the Joint Committee on Taxation and are frequently used by Republicans and Democrats in Congress. The NCPA also has produced a first-of-its-kind, pro-free-enterprise health care task force report, representing the views of 40 representatives of think tanks and research institutes.