



The Daily Dish

Interpreting the Economics of Mayor Pete

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Sometimes it is worth listening to what politicians actually say. It can be illuminating. Consider this television appearance by Transportation Secretary Pete Buttigieg as reported in *The Hill*:

While speaking on [MSNBC's "The Sunday Show With Jonathan Capehart,"](#) Buttigieg noted that Democrats' proposed social spending package includes incentives to make it more affordable to buy an electric vehicle.

Buttigieg said that families would essentially have a "\$12,500 discount" in transportation costs, adding that "families who own that vehicle will never have to worry about gas prices again."

"The people who stand to benefit most from owning an EV are often rural residents who have the most distances to drive, who burn the most gas, and underserved urban residents in areas where there are higher gas prices and lower income," Buttigieg said.

"They would gain the most by having that vehicle. These are the very residents who have not always been connected to electric vehicles that are viewed as kind of a luxury item," he added.

"If we can make the electric vehicle less expensive for everybody, more people can take advantage, and we'll be selling more American-made EVs, which means in time they'll become less expensive to make and to buy for everybody," Buttigieg said.

Buttigieg has been pilloried for offering up electric vehicles (EVs) as the solution to high gas prices. Eakinomics is happy to pile on, but not just by pointing out that the Build Back Better Act is not yet law, the "\$12,500 discount" does not exist in this realm, and there is no real relief from gasoline prices just from listening to a cabinet official. No, the real problem is that electric vehicles do not run on gasoline, but they do run on electricity, so those families will have to worry about the cost of electricity. And as AAF's Ewelina Czapla has documented, the administration's plans for a "clean" electricity sector (by 2035) are really pricey: [\\$2 trillion for generation](#), another roughly [\\$2 trillion for transmission](#), and an unknown price tag for distribution but [\\$1 trillion](#) for "the cost imposed on the distribution system by electric vehicle and photovoltaic solar panel adoption alone." That bill is roughly \$50 a week for consumers, which is in the same neighborhood as the gas costs that started this political firestorm. It's the energy costs, Pete, not just gasoline.

The Transportation Secretary is a communications professional, so let's note two other pieces of the messaging barrage. First, there is no \$12,500 "discount" anywhere. The costs of rent, labor materials, or other inputs did not drop by \$12,500. Nobody took a \$12,500 squeeze on their profit margins. No, the \$12,500 is taxpayer dollars tossed willy-nilly toward EVs. This subsidy boondoggle will raise the demand for EVs and, thus, their prices. Not a discount.

Finally, notice that he wrapped the entire misdirection in the flag, claiming that “we’ll be selling more American-made EVs, which means in time they’ll become less expensive.” I don’t know who “we” is, but *we* just learned that American-made EVs will be more, not less, expensive.

Other than that, it made sense.