

Maddog Unleashed

Forget Gas-Tax Holiday: How About a Vacation From Snake-Oil Sales?

“It’s phony populism in the service of a ‘tax cut’ that would fund one meal for two at Applebees, which may or may not include dessert.”—Reason magazine’s David Weigel discussing Sen. John McCain’s proposed “gas-tax holiday”



BY PATRICK O’GRADY

As summer approaches, I’m spending more time on the road than on the trail, a seasonal transition that is always something of a shock to the system.

Despite a rainy early May, our trails are in much better condition than our roads, which look as though Fort Carson has been getting a little casual with its artillery practice. Craters to the left of me; debris to the right. And after a long winter, enough sand to mimic conditions on the ground in Iraq.

Long story short, the roads in these parts are fit for neither motorist nor bicyclist. And that’s why I’m scratching my head over the proposal for a “gas-tax holiday” floated by GOP Sen. John McCain and backed in a slightly different form by democratic colleague Hillary Clinton.

Two Heads Are Dumber Than One. This sort of boneheaded bipartisanship we don’t need, not as America’s roads and bridges degrade to a state that would shame a banana republic, as has our government. Even the *Wall Street Journal*, hardly a bastion of tax-and-spend liberality, said the idea “smacks of poll-driven gimmickry.”

The federal gas tax, which underwrites road and transit projects, is a whopping 18.4 cents per gallon. Put it on hiatus for three months and the average motorist would save about \$28, according to the American Association of State Highway and Transportation Officials via factcheck.org.

The cost to the Highway Trust Fund, meanwhile, could be as high as \$8.5 billion, says the American Society of Civil Engineers. That kind of green could plug a lot of potholes, even if you just stuffed them with wads of cash instead of hot patch.

The Hand Is Quicker Than the Eye. This assumes that prices will actually drop 18.4 cents per gallon, which is unlikely, as both factcheck.org and Paul Krugman of *The New York Times* have pointed out.

With demand unchecked and the supply of gasoline largely fixed by a maxed-out refining capacity, our pennies will simply go to Big Oil instead of Big Government. And we’ll still have to shell out to fix those crumbling roads and bridges denting our expensive wheelsets and pinch-flattening our tires.

Krugman, a Princeton economist, calls it Econ 101 tax incidence theory. In an April 29 blog posting titled, “Gas tax follies,” he wrote: “If the supply of a good is more or less unresponsive to the price, the price to consumers will always rise until the quantity demanded falls to match the quantity supplied. Cut taxes, and all that happens is that the pretax price rises by the same amount. The McCain gas tax plan is a giveaway to oil companies, disguised as a gift to consumers.”

Park and Ride. Since reducing demand seems to be the only means of driving fuel prices down, I think I’ll give myself a second consecutive gas-price holiday this summer by parking the Subaru and handling my little bit of business on the bike.

Come to think of it, it might be educational to put McCain and Clinton on two wheels for the summer. Pluck those plutocratic populists out of their limos, plunk them onto a tandem—call it the Snake Oil Express—and send them wobbling off on a fact-finding tour. Let them see, up close and personal, whether our roads and pocketbooks can stand a gas-tax holiday.

After three months of dodging Escalades, potholes and garbage ejected from passenger-side windows, maybe they’d get busy on some intelligent proposals that could help Americans enjoy a real vacation—from our addiction to oil.