

ED WALLACE

Nobody Knows Anything

BY ED WALLACE
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In 1983 screenwriter William Goldman — famed for *Butch Cassidy and the Sundance Kid*, *All the President's Men*, and *The Princess Bride*, among many other hits — published his wildly sardonic book, *Adventures in the Screen Trade*. One story he told was asking the biggest movie studio executives who was the only Hollywood star to make the box office Top 10 list for a decade running. Not one of those executives knew the answer: Clint Eastwood, 1970 through 1980. Or, the year Goldman was asking those execs that very question. As a result, he would write about Hollywood, nobody knows anything. Nobody knows what's going to be a hit movie, nobody knows why others flop. And for insurance to save their jobs, because they don't know anything, the movie world is full of sequels, considered a safer financial bet. And it's always worth paying too much for a popular star to help make sure a potential bomb "opens" at the box office.

Few realize how much the auto industry is like movie making. Both involve huge amounts of money for a product that may not come out for years and with no guarantee in the future the public will want to buy what you are creating today. As for the bit that nobody knows anything, it's true to a large degree for auto execs too. Because they like keeping their jobs just like movie execs do, so building another SUV or crossover is a safer bet than a fuel-efficient compact car. It's why many auto manufacturers quit building gasoline-powered sedans because the public doesn't like them anymore. But in reality, they don't care for them now — in five years, it might be another story completely.

But it does bring up the question: If you can't give away a wonderfully built gasoline-powered sedan like the Ford Fusion today, how are you going to sell a more expensive electric sedan in a couple of years?

Yes, the car-buying public can be every bit as fickle as the movie public. After all, during the Great Depression there was some public sympathy for bank robbers, certainly after so many banks folded and individuals lost their savings. That showed up in the movies, too. Tom Joad, the hero of *The Grapes of Wrath*, was a two-time murderer — and we were hoping he would get away from the authorities. Butch and Sundance were certainly comedic antiheroes in the 1969 Goldman screenplay that the movie-going public loved. And in that later period, we purchased anti-establishment vehicles such as the Volkswagen Beetle and Microbus and showed off our rugged individualism with the muscle car era, which coincided with that massive shift in the movie-going audience tastes.

Today is one of those periods in American history where many proudly carry our flag in protest marches, scream for individual freedom and claim each American is proudly different from any other American. And then everyone goes down to their local dealership to buy the exact same SUV, crossover or truck as did their neighbors. One will notice that this aligns with this period's movie blockbusters, which are identical and hideously expensive comic action-figure movies, one after another. But come on, some of these movies have only the thinnest plot line to back up or justify two-hour battle extravaganzas. Ok, in that example it mirrors our modern political landscape as much as it does the passion of the car-buying public. But let's face it, right now if Iron Man really existed and ran for the White House in 2024, there's an 80 percent chance we'd elect him.

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So, does anyone know what the next movie or automotive trend really is? To quote William Goldman again, no: "Nobody knows anything." Oh sure, we love to write about what the politicians and regulators might do next. For example, the Trump administration has rolled back decades of environmental regulations, including some set in the original 1970 Clean Air Act. And many believe that a Biden administration would reverse much of that. True, the current administration is suing California over its right to regulate vehicle emissions standards, and it has lowered the Corporate Average Fuel Economy guidelines put in place by the Obama Administration. And again here, it's expected a Biden administration would roll that back, too.

Now the reality. Has any of this influenced any new car, truck or SUV that you've purchased in the last four years? Or might purchase in the near future? Yeah, lot of noise, lot of anger — and it has changed absolutely nothing for the car buying public. Even the discussions on all the great midsized and compact cars killed by Detroit recently have nothing to do with this administration, the previous one or the next one. It's simply based on the Fed's dirt-cheap interest rates making more expensive vehicles affordable, along with longer term financing available today because of the hot used car market propping up resale values long term, and the price of gasoline falling below \$2 a gallon for an extended period.

On the other hand, numerous friends of mine that own dealerships have mentioned some concern about where new car sales might be headed in a Biden administration, to which I point out, retail new car sales have in fact fallen each year during the Trump administration. Only by adding commercial fleet did we see one very small increase in overall sales from 2017 to 2018. By comparison, new car sales rose for the entire last seven years of the Obama administration. Yet most dealers seem to remember the last three years of falling retail sales being superior to the previous seven years of rising sales. Now, to be fair, I'm speaking of friends in the Dallas Fort Worth market, and here is like no place else in America. We have some of the best new car dealers by reputation and the wealth of Dallas Fort Worth overall is exceptional. Obama also had the benefit of coming out of the Financial Meltdown's destruction of car sales.

There is also the discussion that politicians are going to mandate away one's ability to even own a gasoline or diesel-powered car in the future. Which is why car companies are spending hundreds of billions to make our future electric: They have to do that to be prepared for the possible mandates. But automakers are also saying every month that if they can just get the price of those batteries under \$100 per kWh, then electric

cars with reasonable ranges will cost no more than a regular gasoline-powered vehicle. The problem is, I haven't seen that either.

When the original Nissan Leaf was introduced a decade ago, its battery pack was 24 kWh and the published price was \$800 per kilowatt hour for the batteries. Or just over \$19,000 for a \$35,000 car with a 68-mile range. The new Leaf Plus comes with a 62 kWh battery, about three times the range, the battery costs are estimated to be \$145 a kWh, or around \$9,000, and the car now sells for ten grand more than the original model. So the price of the batteries falling by over 80 percent in the past eight years did not make electric cars cheaper. No, when electric cars sell in the same volumes as a Honda Accord or Camry, what will finally lower the overall costs will be mass volume production.

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But here's part two of that equation. Governments can mandate the end of the gasoline- or diesel-powered cars all they want, and if the absolute worst predictions for climate change come to pass by 2035, that could well happen. On the other hand, even if electric car sales double or triple by that date and car manufacturers are on the verge of failing because the majority of people won't buy an electric car just yet, that mandate will be put off for years. You see, governments are supposed to govern and set guidelines for where we need to go as an economic society in the future — but most are pragmatic, too. If the goal can't be met and that might cause real economic damage, then pragmatism wins in the end. Only ideologues don't care about destroying everything to get their way. That comprises both the far, far left and right.

Still, the car companies are rushing to build the cars that nobody knows if anyone will want in the future. They are also creating a future for self-driving cars, when absolutely no one, to my knowledge or that of my dealer friends, has ever walked into a showroom and asked when one will become available. Again, as pointed out in this column a few weeks ago, maybe the auto execs know something about the future that we don't. But again, like the movie industry, they are working on projects that we won't be able to see or buy for years. And to be honest, we don't know what we want in the future, either.

Based on our past, little has changed in terms of variety of vehicles to purchase. Yes, cars are much safer, more fuel efficient, and of far superior quality — thanks to government mandates and regulations. But it's consumers, not committees, that pick winners and losers. On dealers' lots or at the movies.

Ed Wallace is a recipient of the Gerald R. Loeb Award for business journalism, bestowed by the Anderson School of Business at UCLA, and hosts the top-rated talk show, Wheels, 8:00 to 1:00 Saturdays on 570 KLIF AM. Email: edwallace570@gmail.com

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Driving Off into the Sunset

BY ED WALLACE
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It never occurred to me that one day I might be at a loss for words, but here we are. This will be my last column for the Fort Worth *Star-Telegram* after nearly 20 years, almost 1,000 columns and of those only six were rejected. Those numbers meant a great deal to me; they showed the *Star-Telegram* and staff believed in my work, even when they probably weren't crazy about the column they were about to publish.

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