



## Unintended Consequences of Regulation August 13, 2010

### Intro:

Hi, I'm Ben Eisen. Environmental regulations helped create the SUV. Hear more on today's Frontier Centre commentary.

### Script:

Partly due to volatile fuel prices, sales of SUVs dropped in the second half of the past decade. Some environmentalist groups couldn't have been happier. A Sierra Club representative said "it's about time" when sales began to dip.

Instead of celebrating, it would be more constructive for groups like the Sierra Club that favour aggressive environmental regulation to reflect on the origin of the SUV boom, in which regulation played a big role.

In the 1970s governments began creating fuel efficiency standards, setting minimum mileage standards for cars.

These rules had a perverse effect, making some cars, like family station-wagons, uneconomic to produce. But many people still wanted big cars. So manufacturers worked around the regulations, making automobiles so big they could be legally classified as "light trucks," subject to looser fuel standards.

The result was the development of minivans and SUVs, which had worse mileage than the station wagons they replaced.

This story has important lessons. The social, economic and environmental systems into which regulators intervene are incredibly complex. Often, actors in these systems react to new rules in unpredictable ways that thwart the intentions of the regulators.

That's why heavy-handed interventions often create unintended consequences, as evidenced by the history of the SUV.

I'm Ben Eisen. Join the prairie's only independent think tank next week for more thinking on the Frontier. For more about environmental policy, visit our website at [www.fcpp.org](http://www.fcpp.org)

---

*The Frontier Centre for Public Policy is an independent public policy think tank whose mission is to explore options for the future by undertaking research and education that supports economic growth and opportunity.*

**Manitoba** – 203 – 2727 Portage Avenue • Winnipeg, Manitoba CANADA R3J 0R2 • Tel: (204) 957- 1567 • Fax: (204) 957-1570

**Saskatchewan** - 2353 Street, • Regina, Saskatchewan CANADA S4P 2S3 • Tel: (306) 352-2915 • Fax: (306) 352-293

**Alberta** - Stock Exchange Tower • Suite 1280, 300 - 5th Avenue SW • Calgary, Alberta CANADA T2P 3C4 • Tel: (403) 230- 2435

E-mail: [newideas@fcpp.org](mailto:newideas@fcpp.org) • [www.fcpp.org](http://www.fcpp.org)