



The Daily Dish

# Federalism and the Driverless Future

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | SEPTEMBER 19, 2016

[U.S. consumer prices rose more than expected in August](#) due in large part to the increase in rental prices and health care costs. The Labor Department announced on Friday that the Consumer Price Index rose .2 percent in August. Economists had predicted CPI would rise only .1 percent. In August medical care costs saw their largest jump since 1984 and rose 1.0 percent.

[Last week the American Action Forum \(@AAF\) released new research](#) examining the recent \$1.7 billion in payments the U.S. sent to Iran. The research finds that Iran may spend \$1.1 billion to fund global terrorism. AAF discovered that Iran recently passed a law that requires the \$1.7 billion payment made by the United States to Iran to be directed to the Iranian military. 65 percent of Iran's military budget goes towards supporting the Islamic Revolutionary Guard Corps (IRGC), the Iranian elite paramilitary force. The IRGC actively supports terrorist organizations throughout the Middle East.

## *Eakinomics: Federalism and the Driverless Future*

The Hill newspaper is [reporting](#) “Automakers and tech companies are charging ahead with driverless cars, but some fear that they could hit a major roadblock: a patchwork of local regulations.” This concern about the efficacy of state (and local) regulation is seemingly at odds with conservatives' preference for federalism — and local solutions more generally. What's going on?

Taken at face value the complaint about local regulation contradicts the [notions](#) of Supreme Court Justice Louis Brandeis who was interpreted to say that — “citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.” But I think there is a subtle difference between policy experimentation and policy implementation.

Nobody has any clue how to deal with the regulation surrounding driverless cars. Are they taxis? Are they rental cars? What should be the consumer protection regulation that surrounds them? On the supply side of the market, what safety, workplace, and competitive regulations are appropriate and necessary? Arguably, no state or locality has the answer, so the experimentation of states and localities is informative.

But it is not the endpoint. In the end, even driverless cars cross state lines. It is way better that states have homogeneous regulations that do not interfere with economic efficiency. But living with an uncoordinated set of experiments may be worthwhile so that the states adopt a better long-run apparatus.