

Opinion ([Http://Www.Philly.Com/Opinion](http://www.philly.com/opinion))

As the economy changes, hold the regulations

Updated: MAY 24, 2017 — 9:27 AM EDT



📷 **SETH WENIG / ASSOCIATED PRESS**

An Uber car drives through LaGuardia Airport in New York.

by **Antony Davies & James R. Harrigan**

The world utterly and irreversibly changed when automobiles replaced horses and buggies. That one invention destroyed tens of thousands of jobs - jobs like horse breeders, teamsters, leathersmiths, blacksmiths, and street sweepers. Thankfully, the government

didn't protect any of those occupations, because the new jobs motor vehicles brought with them were safer, cleaner, more productive, more numerous, and far more lucrative. Beyond that, the world that the automobile ushered in was simply better.

This economic transformation was nothing new. Technology has always displaced workers, and even entire industries. The invention of online streaming forced Blockbuster to shutter a staggering 9,000 video stores. Online vendors like Amazon and eBay are causing retailers to close thousands of physical stores. Photo developing booths, travel agents, telephone operators, and typewriter repairmen have also disappeared, and are not particularly missed. But in their places are jobs that didn't exist 10 years ago, like app developers and cloud computing engineers, with billion-dollar companies that didn't exist five years ago, like Udacity, Lyft, and Snapchat.

Economic transformation not only creates new and previously unimagined jobs, it also fells mighty corporations. Western Union, Compaq, and AT&T (the original, not the wireless carrier) are just three once-giant companies that have either ceased to exist or are shadows of their former selves. Everywhere one looks, one sees once-dominant companies, jobs, and ideas replaced by better ones thanks to technological advances and economic transformation.

But somewhere along the way, governments started taking it upon themselves to "protect" certain favored industries and workers that came under disruptive fire. The latest examples are Uber and Airbnb, two companies that not only undermined the status quo technologically, but also upset the political applecart.

Uber and Airbnb benefit customers at the expense of politically well-connected businesses. And when government shows itself willing to intervene in markets, entrenched businesses find it more profitable to curry favor with politicians than with customers. But can government ever hope to keep up with a cat that is so clearly out of the bag?

The Uber case is instructive. In city after city, local governments have done their best to keep the ride-sharing business out so as to maintain a profitable grip on the taxi industry. Of course, the refrain is that regulators are acting in the interest of "public safety" - as if they were more concerned with people's safety than the people are themselves.

The reality is that politicians and bureaucrats have their own interests in mind, and an established taxi-cartel wields more political clout than does a handful of upstart Uber drivers. But not only has Uber thrived despite government efforts to scale it back, it has continued to innovate, recently putting driverless cars on the road in a growing number of American cities. This new technology will present an irresistible target for government regulators. But if government stays out of the way, the move to driverless cars will be at least as transformative as the move from horses to automobiles.

Rather than many people owning cars that sit idle for 95 percent of their lives, fewer people will own cars and those who do will rent them out - just like people rent out their idle living spaces through Airbnb. Driverless cars will patrol American cities. When you need a ride, you'll summon one.

But there's more. Driverless cars will revolutionize the car loan industry - currently the third largest behind only home and student loans. Both it and the parking industry will become a good deal less profitable. The construction and retail industries will change as garages and parking lots become space-wasting memories.

According to the Earth Institute at Columbia University, driverless cars will also have a positive impact on the environment. Impaired driving fatalities will become a thing of the past - and that will mean major transformations to the legal, social services, and law enforcement industries that have sprung up around DUI laws. And as the technology finds its way to the trucking industry, goods will be brought to market cheaper and more quickly.

But that's really just the beginning. No one can predict where the technology will lead - not even government regulators. And that's exactly why they should regulate less.

Antony Davies is associate professor of economics at Duquesne University in Pittsburgh.
antony@antolin-davies.com

James R. Harrigan is senior research fellow at Strata in Logan, Utah.
(mailto:antony@antolin-davies.com)jrharrigan@gmail.com
(mailto:jrharrigan@gmail.com)



Thanks for your continued support...

We recently asked you to support our journalism. The response, in a word, is heartening. You have encouraged us in our mission — to provide quality news and watchdog journalism. Some of you have even followed through with subscriptions, which is especially gratifying. Our role as an independent, fact-based news organization has never been clearer. And our promise to you is that we will always strive to provide indispensable journalism to our community.

Subscriptions are available for home delivery of the print edition and for a digital replica viewable on your mobile device or computer. Subscriptions start as low as 25¢ per day.

We're thankful for your support in every way.



Subscribe Today



The Inquirer
DAILY NEWS philly.com

<https://myaccount.inquirer.com/dssSubscribe.aspx?pid=2237>

© Copyright (<http://www.philly.com/philly/about/copyright/>)2017 Philadelphia Media Network (Digital), LLC
[Terms of Use & Privacy Policy \(http://www.philly.com/philly/about/terms_of_use/\)](http://www.philly.com/philly/about/terms_of_use/)

