

Editorial

The Perilous State of AI Governance in June 2025

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The US is at a crossroads of AI governance. Too much regulation will impede AI development and give a possibly decisive advantage to its adversaries. Too little or ineffective regulation will expose the world to excessive risk. Complex regulation will exclude medium-sized and smaller providers who cannot afford legal staff and consultants to navigate the complex regime.

Much is unknown about AGI behavior. So provably safe regulation is impossible, at least currently.¹ All legal regimes have loopholes, in part since the more detailed a given law is written, ostensibly to avoid loopholes, the more likely a judge will assume that actions not specified in the law are not within its jurisdiction, on the assumption that the thoughtful, knowledgeable, detail-oriented legislator would have considered them.² But what if such uncovered actions were not specified simply because they were unforeseen?

Market mechanisms, as proposed by Dean Ball, Tomei et al., California Senator McInerney, and others, can be employed where possible to provide rapidly-evolving, efficient solutions. But market mechanisms are imperfect and have to co-exist with slowly-evolving, costly international, federal, and state legal regimes.

Here, as in other areas of safety and value-alignment, the optimal solution is to apply the most advanced AI to construct the evolving AI governance regime itself — recursive *safety* improvement. Recursive *safety* improvement needs to stay ahead of recursive *self*-improvement.

*The legal codes of many countries have become quite complex. Several AI projects are trying to create formal digital versions of legal codes (CodeX, 2014). These systems will eventually be used to resolve legal issues and perhaps even act as arbitrators or judges. Sophisticated AI systems with knowledge of the legal system will be used to help craft and simplify new legislation.*³

Clearly, each generation of AGI itself will need to advance safety and value alignment technology to ensure its own survival and value-alignment with its successor generation.

¹ In contrast to the medium-term goal of *provably safe systems*, which I strongly support. Tegmark, M., & Omohundro, S. (2023). Provably safe systems: the only path to controllable AGI. <https://arxiv.org/abs/2309.01933>.

² Chung, K.-S., & Fortnow, L. (2014). Loopholes. *The Economic Journal*. doi:10.1111/eoj.12203.

³ Omohundro, S. (2014). Cryptocurrencies, Smart Contracts, and Artificial Intelligence. *AI Matters*, 1(2), 19-21. doi:10.1145/2685328.268533.

I support the intent of the federal bill to avoid a patchwork AI regulatory regime, efforts to find market regulatory mechanisms, and realistic public-private hybrid mechanisms as proposed by Senator McInerney.

AI Section of the “Big, Beautiful Bill” Avoids a Patchwork AI Regulator Regime

Kevin Frazier and Adam Thierer argue persuasively that:

The United States is approaching a troubling technology policy milestone: One thousand artificial intelligence (AI) bills have already been introduced just over four months into 2025.... Though state legislators may have the best of intentions in pushing their respective bills, they risk disrupting the development of a transformative technology. .⁴

Frazier continues:

...Congress should act to prevent a fragmentation of the US into fifty different regulatory regimes, which would undermine the ability of the US to retain its leading position in AI innovation and commercialization.

Following the US House of Representatives' [passing of a budget reconciliation bill](#) that includes a ten-year moratorium on a wide range of state AI regulations, the US Senate may soon answer this question as it weighs whether to send that bill to the President. ⁵

Here is the relevant text of the bill, beginning with the restriction on state-lawmaking. The middle section stating a general mandate to modernize federal information processing systems to incorporate new AI technology. A final section states the definitions used in the text.

[H.R.1 - 119th Congress \(2025-2026\): One Big Beautiful Bill Act | Congress.gov | Library of Congress](#)

Part 2--Artificial Intelligence and Information Technology Modernization

(Sec. 43201) **This section prohibits states and localities from regulating artificial intelligence (AI) models, AI systems, or automated decision systems for 10 years.**

This prohibition does not apply to any state law or regulation

- the primary purpose and effect of which is to remove legal impediments to, facilitate the deployment or operation of, or consolidate administrative procedures

⁴ Kevin Frazier and Adam Thierer, “[1,000 AI Bills: Time for Congress to Get Serious About Preemption](#),” 9 May 2025.

⁵ Kevin Frazier, “We’re Not Ready for AI Liability,” [AI Frontiers](#), 4 June 2024.

in a manner that facilitates the adoption of AI models, AI systems, or automated decision systems;

- that does not impose substantive design, performance, data-handling, documentation, civil liability, taxation, fee, or other requirements on AI models, AI systems, or automated decision systems, unless such requirements are imposed under federal law or are generally applicable to other models and systems that perform similar functions; or
- that imposes only fees and bonds that are reasonable and cost-based and treat other models and systems that perform similar functions in the same manner as AI models, AI systems, and automated decision systems.

This section also provides specified funds to the Department of Commerce to modernize and secure federal information technology systems through the replacement of some existing systems and the deployment of commercial AI and automation technologies. Specifically, Commerce must use funds appropriated under this section to (1) replace or modernize legacy business systems with commercial AI and automated decision systems; (2) facilitate the adoption of AI models that increase efficiency and service delivery; and (3) improve the cybersecurity of federal information technology systems through modernized architecture, automated threat detection, and integrated AI solutions.

Under this section, AI is defined as a machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments. An AI model is a software component of an information system that implements AI technology and uses computational, statistical, or machine-learning techniques to produce outputs from a defined set of inputs. An AI system is any data system, software, hardware, application, tool, or utility that operates in whole or in part using AI. An automated decision system is any computational process derived from machine learning, statistical modeling, data analytics, or AI that issues a simplified output (e.g., a score, classification, or recommendation) to materially influence or replace human decision making.