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The Need for AI Public Policy Innovation

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While AI technology innovation powers ahead, AI public policy is trailing. There is a growing consensus that society will have to make adaptations to AI. But little work on how to do that. Innovation in hardware, software, and applications is moving ahead rapidly. There is a chorus of people talking and writing about what AI will do to us, but little work on possible actual responses or scenarios of effects and responsive adaptations. That needs to change. Having a range of scenarios to discuss and places to have those conversations is the best way to encourage the public policy innovation we need. Waiting to build life jackets until we are already in the water is dangerous.

Hardware, Software and Application Innovation Background

We are in the middle of a 10X step. NVIDIA's Rubin and competing chips are powerful, but not powerful enough for the next !0X step in frontier model size. We will see the next generation of chips and the new architecture of data centers/infrastructure to support them circa 2028. Then, those 10X larger models will start training the next generation. The new hardware and models will lead to dramatic improvements in software. Past 10X experience tells us that the improvements are hard to predict. But likely to be dramatic.

Meantime, the frontier model companies are making progress in software, driving new capabilities such as Mythos.

In the applications space, intelligent agents have caught fire. OpenClaw poured fuel on the fire, followed by a wave of intelligent agent innovators and innovations.

Components of Public Policy

A lot of current public policy discussions revolve around regulation. There are many possible levels of regulation, both geographic and industry segment. Geographic ranges from international to national to regional to local. Functional tends to focus on industry segments such as medical, utilities, autos, etc. Regulations can tell companies what they have to do, what they can't do, and

set economic parameter values such as profit, investment, etc., percentage, and certain behavioral goals.

Understanding regulation is important in considering public policy. However, regulation is not the only part of public policy. Other non-regulatory components of public policy include felony law, civil law, sanctions, taxation, loans, grants, incentives, jawboning, etc. These can be as powerful, or even more powerful than regulations.

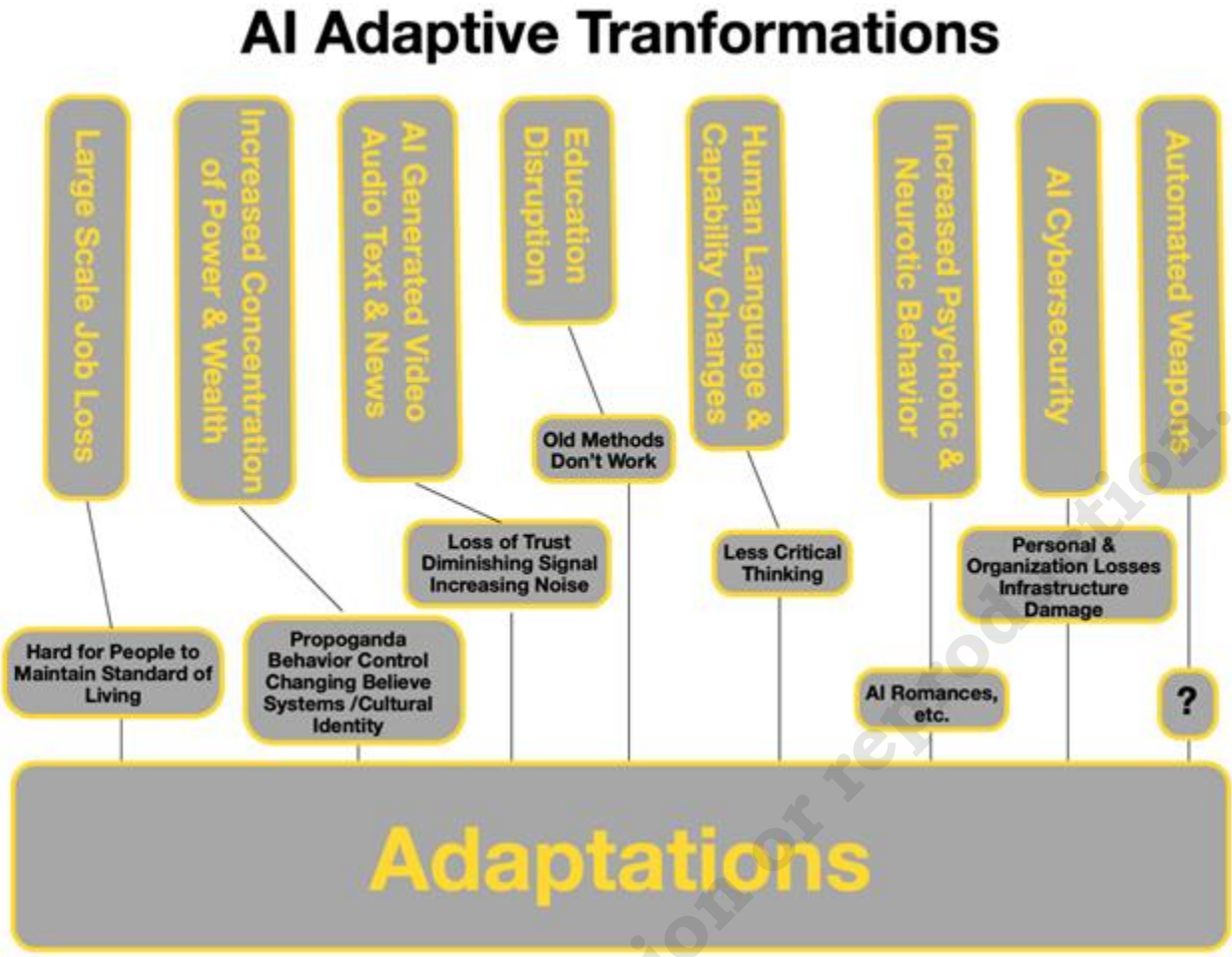

Figure 1 - click to enlarge

Adaptation Areas Overview

The illustration in figure 1 shows the adaptations that society must make for AI. There has been a lot of attention recently on the potential job loss problem and how our education systems must change to function in the AI environment. The dispute between Anthropic and the US DoD has highlighted the autonomous weapons area. Mythos has raised attention on the cybersecurity challenge. One can feel the rumble of resentment with AI increasing the wealth and power gap. There is also concern being expressed about: psychotic behavior and AI; Deep Fakes making it hard to determine what is true; impacts on our language and cultural materials.The illustration in figure 2 shows the adaptations AI must make for society. The alignment problem is how to make sure that AI has a human perspective and doesn't lead to the end of humanity. To do this, a Spec (specification) is created, and technology is being developed to ensure that the AI conforms to the Spec. But who creates the Spec? Right now, it is short-term profit-driven companies crafting the Spec. Are they capable of being the responsible guardians of society as a whole? This leads to questions about what is in the training material used to create AIs. Again, chosen by companies with a profit and sometimes other agendas. This has led to concerns about Nazi material,

propaganda, pornography, and sexually abusive materials coming out of AI's. How should society's broader needs be represented?

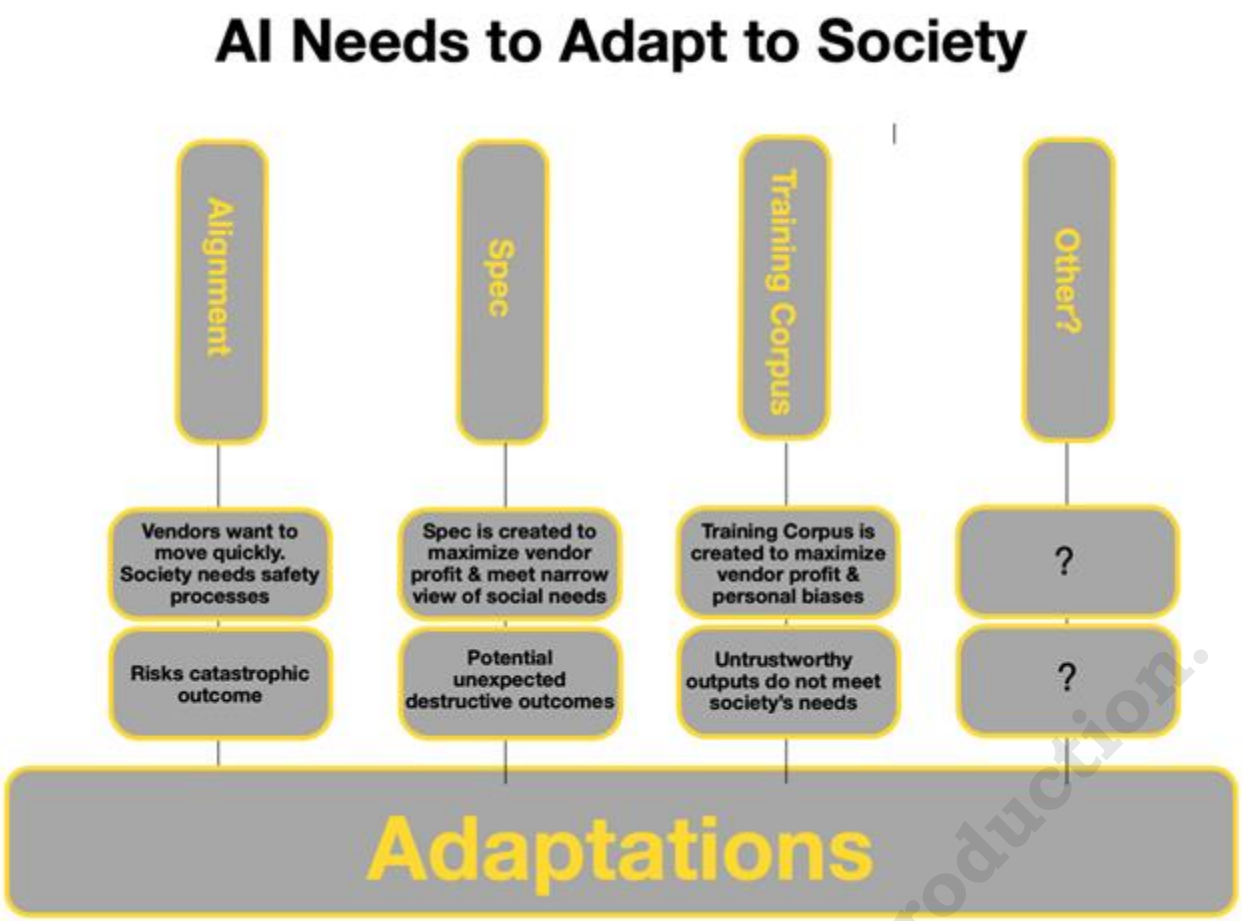

Figure 2 -click to enlarge

The question that confronts us is what these adaptations have to be and how to accomplish them. Public policy is needed to help do that.

The current situation is unprecedented. That means that there is no model/recipe for what or how public policy can meet the challenge. This means that innovation is called for.

AI Adaptation Challenges Driving Negative AI Sentiment

The general public is not calling for adaptation. Rather, they are reacting to the actual and perceived threats from AI. The biggest negative reactions are amongst those who personally experience or have friends who have experienced AI job problems. Most severely, the generation that is in, or has recently graduated from, college. Then, the more established people who have been laid off in the early rounds of AI layoffs, and the ones who are afraid they are next. Those struggling with inflation who see AI data centers raising the cost of electricity and fearing water rationing. Others cast it as an environmental problem.

These people's first reaction is to just stop AI. But for most of the world, AI is unstoppable. In a few highly authoritarian countries, some supported by religions, there is a chance to stop it. For the rest, the economic imperatives are too strong

What is lurking in the background is the sense that a few people who are the AI insiders will gain a lot of power and wealth. The rest of us will struggle in increasingly challenging times.

There are those who have made bets on AI making them better off. Some of those people realize that if their neighbor's house is on fire, theirs is in danger of catching fire too. Others want to hold onto their advantage.

Others say this is the equivalent of a war. That "our" side has to win the AI race or "else"… Definition of "our" and "else" depends on who is talking.

We have already seen isolated violent incidents. Others are predicting street demonstrations in the next few months. Some say these are just coming from people with mental problems. That may be true. But, are the mentally disturbed just the canaries in the coal mine?

The only way out of this is the creation of public policy measures such that a rising tide lifts all boats. That is, all aspects of society will benefit from AI in roughly equivalent fashion. How can we achieve this?

Adaptation Through Regulation Background

There is a group of AI investors and companies that have called for a laissez-faire approach to AI. These people have argued that any public policy that involves regulation will slow down the necessary innovation and therefore should be avoided at all costs. This group has lobbied in the US and created a political action committee that funds politicians who support their position. This group was successful in getting the Trump administration to support their approach.

The US Department of Defense (DoD) has sanctioned Anthropic in an attempt to force the company to allow the DoD to use Anthropic's AI for autonomous weapons and mass surveillance of US citizens. So far, this attempted use of public policy has not resulted in the outcome desired by DoD.

There is also work underway in the US Congress to prevent states from regulating AI. The state of Wisconsin legislature is working on a bill that would limit the liability of AI companies for death and destruction caused by them.

How successful this approach has been outside of the US is hard to evaluate. Both the EU and the UN have created AI study groups. But concrete action by these groups that has a significant effect has not yet been seen.

Other AI companies are calling for the regulation of AI. In the US, they, along with individuals, have created another political action committee to fund politicians running for office who support their position.

Some analysts point to the problems with social media that were exacerbated by a laissez-faire approach. The recent US lawsuit that was successful against Meta and Google tends to support their position.

There is a formal criminal investigation underway in Miami of ChatGPT (OpenAI) being responsible for murder.

There has been talk of adapting to AI job loss by providing everyone a guaranteed minimum income. In the 2020 US presidential primary, there was a candidate who proposed a guaranteed minimum income. His campaign brought a lot of attention to the subject. However, his campaign was not successful, and there has not been that kind of attention since.

The AI 2027 project published a paper in April 2025 on the alignment problem. That is, making sure that AIs incorporate human perspectives and don't do anything that might cause the end of humanity. The scenario work they published had a significant effect on the AI industry's self-regulation. However, over time, competitive pressures diluted the self-regulation. It also didn't address the problem of who writes the Spec that AIs are aligned to.

Recent Attempts at Innovations in Public Policy

Glasswing, a project organized by Anthropic to help with society's adaptation to the power of its new AI, Mythos, is an example of a frontier model developer working to help society adapt to AI. Glasswing brings together Anthropic, large corporations (with emphasis on banks), and cybersecurity defense tool companies whose cybersecurity would be threatened by Mythos to develop adaptations. While these adaptations are being made, Anthropic is holding Mythos off the market. This is an attempt to avoid society having to make any changes by instead finding a technical solution. This is a commendable effort and one that can be a model for others. With public policy encouragement, it could be extended to other areas where AI needs to adapt to society. However, it has very limited applicability to the rest of the areas where society needs to adapt to AI.

Tom Steyer, running for governor of the state of California, has proposed a tax on tokens to fund a program to help those who have lost jobs due to AI. This is the beginning of a concrete proposal with a clear way to finance. One of the outstanding issues is how to help those who have lost their jobs due to AI. The old way was retraining. But, in an environment of AI agents taking over such a wide range of jobs, is it possible to determine the right thing to train people for? If not, what other ways of helping are there? Or is this funding for a guaranteed minimum income?

Recently the pope released and encyclical that calls for a collaborative process to build humanistic responses to AI.

Need for Innovative Thinking

There are many ways to approach these adaptations. Each of us can choose where to put our efforts. If you believe in a laissez-faire approach to AI regulation, you can focus on one of the areas of society's adaptation. If you believe society shouldn't change because of AI, you can focus on how AI should adapt to society. Efforts in all areas and focusing on the whole range of possible responses are needed.

It is not possible to predict, schedule, etc., an invention or innovation. On the other hand, it is possible to foster it. Fostering innovation in public policy responses to the AI adoption challenges we face is exactly what we need.

A good first step is to create well-articulated scenarios for each challenge and possible responses. The plural of scenario is important here. We are going into uncharted waters and therefore can't predict with accuracy what exactly will happen. Thus, we need to at least consider optimistic, pessimistic, and middle-of-the-road scenarios for each area of adaptation. There may also be additional parameters we need to develop scenarios for. With the scenarios in front of us, we can begin to develop responses appropriate for each. This doesn't guarantee innovation. But it does provide a foundation for it.

The effectiveness of scenarios was well demonstrated by the AI 2027 effort. Over time, competitive pressures have diluted the self-regulation it fostered. Therefore, what we learned is that good scenario sets need to be created for each of the adaptation areas. They need to be constantly refreshed and kept in the public eye. Then, a real effort at practical public policy to deal with them

must be created. Such efforts must take into account different cultural, political, and development situations around the world. For example, the effects of AI are likely to be very different and require different public policies in subsistence farming areas and highly developed economies.

To accompany the scenarios, there needs to be safe fora where people from a broad background can come together and discuss the scenarios and possible public policy responses. Safe means that individuals should not fear reprisal for anything that they say. Participants should include people well-versed in AI technology, economics, anthropology, sociology, political science, etc. One such group is the AIWG. Another is the HAI project at Stanford University. There are a growing number of these around the world, and they need to be encouraged and supported.

Businesses need to be involved in these conversations. Doing so in the proper way may be difficult. It is all too easy for people representing businesses to fall back into a lobbying mode that only seeks to capture a very short-term advantage for their company. A kind of 'my company wins, and I don't care if everybody else loses'. The challenge we face is so broad and deep that only public policies that produce the broadest possible good can be effective.

Public policy innovation is required. However, it is not effective without political action to implement it. So, readers talk about these issues with their friends. It is the sense that everybody's talking about it that gets the political system moving.

Conclusion

AI public policy is trailing AI's rapid technological progress. That needs to change. Having a range of scenarios to discuss and safe places to have those conversations is the best way to encourage the public policy innovation we need.