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Mini Simulation

Regulating AI

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Overview

Artificial intelligence (AI) is advancing at a breakneck pace that experts speculate could rival previous technological revolutions. AI offers potential economic and social benefits, but also brings social, political, and national security risks. The United States needs to weigh the costs and benefits of different approaches to AI governance.

Students will understand that artificial intelligence (AI) is a rapidly developing technology that carries enormous potential benefits, but also poses significant risks to society, politics, and even national security.

The Situation

Artificial intelligence (AI) is advancing at a breakneck pace that experts speculate could rival previous technological revolutions like the advent of electricity. AI's rise is already transforming the global economy. AI-related spending contributed significantly to U.S. GDP growth—accounting for over 1 percentage point of growth in 2025. Yet governments, nongovernmental organizations, and AI developers themselves have warned that, along with the many opportunities it offers, AI poses serious risks to society, politics, and national security. Consequently, policymakers are deeply engaged in discussions about how to govern AI.

As a technology, Artificial intelligence has existed in some form for decades, but its impact on society has changed dramatically with the rise of generative AI models, such as OpenAI's GPT, Google's Gemini, or Anthropic's Claude. Unlike traditional AI, which focuses on automating specific tasks or decision processes, generative AI can produce original content—text, images, audio—by learning from vast datasets. This capability enables tools that can mimic human communication, creativity, and problem-solving at scale, fundamentally shifting how people interact with technology and information. As of 2025, more than half of Americans use generative AI tools in some capacity, reflecting their rapid integration into daily life and work.

As AI advances, its use has become increasingly widespread. The technology has propelled technological leaps, such as advances in driverless car technology or the development of new medical treatments. AI has also allowed businesses to dramatically improve their operations. Among other things, it helps banks analyze data to make trading or lending decisions and allows businesses to more precisely target advertising. The technology is able to almost entirely automate some processes, such as customer service.

AI also has military applications, such as improving autopilot and precision targeting. Militaries are also researching lethal autonomous weapons systems (LAWS) that could make the decision to shoot or launch a missile with limited or no human intervention. LAWS could increase military power without the cost of recruiting and training more soldiers. As the technology continues to develop, its uses will also become more varied and complex. Experts predict that AI could help produce strategies to address climate change, improve healthcare processes, or facilitate breakthroughs on new technologies such as nuclear fusion.

The rapid expansion of AI offers immense societal and economic benefits. As a result, AI infrastructure investment has surged, with data center construction reaching record levels and major technology companies committing hundreds of billions of dollars to AI development.

At the same time, some policymakers worry about the implications this transformative technology has for societies. Generative AI models can influence public discourse, reshape job markets, and create content at a scale that makes it difficult to differentiate fact from fiction, and human-generated information from synthetically-produced information. The ability to generate realistic content has raised new concerns about privacy, intellectual property, and trust in information, prompting governments and businesses to reconsider regulatory priorities. AI models could also perpetuate socioeconomic and racial biases, which could have far-reaching consequences for hiring, law enforcement, healthcare, financial decision-making, and more.

Other experts have raised concerns about how governments could use AI in harmful ways, such as through AI-enhanced facial recognition and web-tracking tools to repress their populations. In the military arena, critics warn about the ethics of employing LAWS, as they could take the decision to kill out of human hands.

Generative AI models could also present national security risks. Governments, criminal organizations, and terrorist groups could use AI tools at relatively low cost to compromise classified information or financial systems or even assist in the creation of weapons of mass destruction.

The strategic importance of generative AI has also altered geopolitical priorities: nations now compete to lead in AI innovation, recognizing that generative models can drive economic growth, enhance military capabilities, and shape global influence in ways that traditional AI could not. As generative AI becomes increasingly central to national security and economic competitiveness, the stakes for governance and investment continue to rise.

AI governance has evolved significantly in recent years, but governments diverge in their approaches. In the United States, the Trump administration has sought to limit AI regulation. To that end, Trump revoked previous Biden Administration executive orders aimed at mitigating the risks of AI and adopted an “AI Action Plan,” outlining policies to reduce red tape and spur innovation that would keep the United States competitive with other countries, especially China.

Many states have pushed back, enacting or proposing their own AI-safety laws, although the Trump administration has worked to limit this state-level regulation, establishing an AI Litigation Task Force to challenge state laws and conditioning some federal funding on states not enacting strict AI legislation.

The European Union has taken the most comprehensive regulatory approach to date with its 2024 AI Act, which will enter into enforcement in the Summer of 2026. The EU AI Act prohibits certain AI uses deemed unacceptable risks—including surveillance functions like building facial recognition databases or social scoring systems and establishes transparency and copyright requirements for AI models. China has also developed detailed rules governing AI, including restrictions on recommendation algorithms and AI-generated content.

At the international level, a series of AI safety summits has sought to build cooperation and shared standards. The United Nations has also launched a Global Dialogue on AI Governance, though U.S. officials have rejected international bodies asserting “centralized control” over AI policy. Despite these efforts, no binding multilateral AI regulations exist, and achieving international consensus remains challenging.

AI regulation poses several tradeoffs for policymakers. On the one hand, reducing regulatory burdens could prove essential to maintaining technological leadership in a fast-advancing and transformative field. On the other hand, it could leave people unprotected from harmful AI practices.

Those favoring stronger AI regulations also need to consider where governments should prioritize their efforts. International regulations could help establish governance at the widest scale, yet they would require lengthy negotiations and working with adversaries that may not share U.S. values on AI use. National regulations could govern some uses of AI without the need for negotiations but would have limited ability to stop AI harms that originate from outside the country.

Ultimately, the debate reflects different risk assessments. Those favoring minimal regulation emphasize AI’s economic benefits and argue that premature regulation could stifle innovation. Those favoring stronger regulation point to documented

harms from AI systems, including discriminatory algorithms and privacy violations, and warn that the pace of AI development is outstripping governance frameworks. As AI becomes increasingly integrated into critical systems, the stakes of this debate continue to grow.

Decision Point

The rapid rise of artificial intelligence offers economic and social benefits, but also threatens grave social, political, and national security risks. As the technology develops and becomes increasingly integrated in societies worldwide, public attention has turned to policymakers and how, if at all, they should govern the technology. The president has convened the National Security Council (NSC) to discuss how the United States should approach AI regulation at home and abroad. As they deliberate, NSC members will need to carefully consider the costs and benefits of AI standards and regulations, the time that their implementation would require, and the risk of such policies restricting positive innovations in AI technology.

About Roles & Goals
National Security Council

NSC members should consider the following policy options:

- *Pursue an international governing regime for AI.* An international framework could produce widely adopted, responsible AI regulations that limit the worst harms of AI. Taking a leading role in negotiations could maximize U.S. influence over their outcome. However, an international framework would be difficult to negotiate. It could force the United States to compromise by accepting limitations it deemed harmful to innovation or allowing practices it deemed against its interests or values. Moreover, slow negotiations could fail to reach decisions at a pace required to keep up with the speed of AI development.
- *Pursue federal regulation measures.* This option could entail executive action to set standards for AI use within the United States. Such action would grant the federal government significant influence over AI governance within U.S. borders and could prioritize striking a balance between protecting Americans and fostering innovation. To the extent that U.S. AI technology is used internationally, national regulations could also have some measure of global influence. However, regulatory regimes are notoriously slow to develop and may inevitably be reactive in nature when faced with such a fast-moving technology, unnecessarily and slowing down AI adoption in the United States while other countries race ahead.
- *Limit AI governance*. This option could entail limiting new AI regulations, rejecting the development of international AI bodies or agreements, rolling back existing governance mechanisms, or demanding a moratorium on all moves to regulate AI at the state level. This could help to maximize AI development and adoption by creating an enabling environment for rapidly-evolving use cases and technological capabilities. It would also require a high risk tolerance for dangerous uses of AI at scale, and it would give primacy to a small number of AI developers at the expense of allowing democratic mechanisms to balance societal impacts and priorities.

What is Artificial Intelligence (AI)? CFR Backgrounder
AI Meets World Part I Why It Matters Podcast
AI Regulation is Coming Harvard Business Review