

AI in the Trump Era: Balancing Innovation, Regulation and Competition

Introduction

The post-election landscape for President-elect Trump reveals a clearer picture regarding his administration's approach to artificial intelligence (AI) policy, particularly through his recent staff and cabinet appointments. The involvement of influential tech figures such as Elon Musk, alongside support from notable billionaires like Peter Thiel and Bill Ackman, suggests that the AI sector may be poised for significant transformation. Central to this discourse is the question of which advisors will shape Trump's decisions on AI regulation and policy. This analysis delves into the anticipated directions of Trump's AI policy, including potential deregulation initiatives, shifts in government contracts for AI technologies and the implications for research funding amidst growing competition with China. Additionally, the proposed establishment of a new government department aimed at enhancing efficiency hints at a future where private sector innovation may take precedence over regulatory frameworks. As these dynamics unfold, the intersection of AI advancements and energy consumption will also necessitate careful consideration within Trump's broader policy agenda. For more of APCO's analysis of 2024 elections visit apcoworldwide.com/agenda24.

Deregulation of AI

Deregulation was a key focus of Trump's first term, and he has indicated plans to continue the approach in his second term. However, Musk's ties to Trump might mean AI safety regulation talks won't be completely off the table as he's been a vocal supporter of [California's SB 1047](#), the AI safety bill which was vetoed. Trump may push to pass a federal rule that preempts more stringent state laws as he aims to increase the speed and breadth of tech innovation that may be hindered or slowed by laws like SB 1047.

AI research was a central part of the Biden Administration's tech policy, as seen through the creation of [the U.S. AI Safety Institute](#) at the Commerce Department. The institute was created in the wake of Biden's executive order on AI, [issued last year](#) to harness the technology's benefits and manage its risks. Trump plans to repeal the order, according to the Republican Party's policy platform. He criticized the executive order for hindering innovation and imposing "radical leftwing ideas" on the technology's development.

Trump's own pronouncements on AI have fluctuated wildly. In an interview on Logan Paul's "Impulsive" podcast, he [described](#) AI as a "superpower" yet that it has "alarming" capabilities. Both his supporters and opponents view the technology through the lens of competition with China, which he sees as the "primary threat" in the race to build advanced AI.

His closest allies are similarly divided on how to govern the technology: [Musk](#) has long voiced concerns about AI's existential risks and emphasized the importance of research, while Vice President-elect JD Vance [sees such warnings from industry](#) as a ploy to usher regulations that would “entrench the tech incumbents.” There are very clear divisions between Trump’s supporters on the issue, and it will be a struggle for the president’s ear as to which side wins.

AI Government Contracts

Palantir Technologies and Anthropic have [partnered](#) with Amazon Web Services (AWS) to deliver the Claude AI models to U.S. intelligence and defense agencies, marking a major step in the integration of advanced AI capabilities across government functions. This new government contract was announced directly after the election and is a product of the Biden Administration that is likely to continue into the Trump Administration. Of note, Palantir CEO Peter Thiel has been a prominent Trump supporter since 2016, where he was a part of Trump’s transition team. He is also behind Vance’s [rapid political rise](#) to power, as Vance was a former employee of Thiel at his tech fund Mithril Capital and was supported by Thiel during his Ohio Senatorial run in 2022 with \$15 million in campaign donations.

Amazon CEO Jeff Bezos has also hedged his bets with President-elect Trump, blocking the Washington Post (which he owns) from [endorsing a candidate](#) in the 2024 Presidential election—something the Washington Post has done for the last 36 years. Many speculated that this endorsement block was to appeal Bezos and Amazon to Trump in the event of his victory, as Trump often [targets businesses](#) and CEOs who criticize or speak out against him and could jeopardize AWS’ AI government contract.

AI Research Funding and Competition with China

One of the key impacts from the scaled-back regulation could be slashed research funding for AI, following by eliminating wasteful government spending and regulations. This initiative directly targets regulatory bodies like the National Institute of Standards and Technology (NIST) to check that tech firms are developing AI safely and ethically.

There are also serious concerns about Trump supporting the [repeal of the CHIPS and Science Act](#), which allocates \$280 billion to funding semiconductor research across the United States and supporting domestic chip manufacturing that has helped the United States stay ahead of China in the tech race. The tax incentives and research funding have benefitted companies and workers in liberal and conservative states alike. On the “[Joe Rogan Podcast](#),” Trump made clear his opposition to the CHIPS Act and said his policy would be to institute tariffs on imported chips and materials to encourage more domestic manufacturing and research rather than appropriating funds to provide tax incentives to tech and manufacturing firms to continue their operations in the United States. The Biden Administration [plans to award](#) as many grants and tax incentives as they can before Trump takes office so that the awards cannot be rescinded.

This tariff policy would likely decrease the innovation and tech boom we have seen in the United States under the CHIPS Act and would also cause tech prices to inflate as companies would pass the tariff prices they pay off to consumers. This would then decrease tech purchasing by consumers, causing tech and manufacturing companies to potentially financially suffer and institute more layoffs, increasing unemployment that has been at its lowest rate in 54 years under Biden. For now, the CHIPS Act is still up in the air, as Speaker Mike Johnson has been back and forth on repealing the legislation, once saying that it should be repealed and later recanting his statement and stating that it should be “streamlined.”

Another focus to be expected from Trump’s presidency is the continuation of the national security aspects of AI from the Biden Administration, as Trump has long talked about staying ahead of China, meaning he’ll look favorably on policies that help American tech firms [maintain supremacy](#) over their Chinese counterparts. Perhaps the CHIPS Act will not be repealed for this reason, but it will again depend on who he listens to regarding tech policy and what changes may be made to the bill.

Appointing Tech Leaders to Advisory Roles

Trump has appointed Musk and Vivek Ramaswamy to lead up a proposed new government department called the Department of Government Efficiency (DOGE). Trump said the commission is designed to cut regulations, reduce government staff and “restructure” federal bodies. It is unclear how such an effort would proceed, as all new departments within the Executive Branch are subject to congressional approval. With the Republican supermajority in Congress, an approval of such a department is not outside the realm of possibility but it still uncertain as Musk and Ramaswamy would not have enforcement powers over proposed budget cuts but would rather provide recommendations based on department research.

However, given both of their history in tech and Musk’s numerous remarks about how AI will likely take many jobs, it is highly possible that, should the department be officially created, that the two would seek to try to replace government positions with AI where possible. It is worth noting that Musk has been [generally optimistic](#) about how AI will replace jobs, stating that there is an “80% chance that AI advances will result in such a situation where humans will not need a job and will have all they need.” He also emphasized that he believed there would be a “universal high income” due to the lack of jobs and efficiency of the economy. The reality, though, may be in his more recent statements, in which he has said that this “department” will send “shockwaves through the system” and that Americans should be ready for “hardship” as he plans to cut a third of government spending.

President-elect Trump has also appointed [David Sacks](#) to be his “AI and Cryptocurrency Czar,” a position which does not require Senate confirmation and will be part-time to allow Sacks to continue to run his venture capital firm Craft. The former COO of PayPal grew close with Musk and is similarly averse to censorship on tech platforms. He also has a tech podcast called “All-In” and launched an AI-powered work chat app called Glue in 2024. He has expressed support for deregulation of the AI industry to allow

for more growth. While he will not have any power to take practical action on tech and AI legislation, his advisory of Trump will likely focus on AI startup and venture capital support.

On an “All-In” podcast episode in April of 2024, he said that the only way the defense industry will improve is if it “gets disrupted by a bunch of startups doing innovative things.” This comes as OpenAI has [partnered](#) with defense tech company Anduril and Amazon Web Services, Anthropic, and Palantir have secured defense and intelligence contracts (mentioned above). In terms of cryptocurrency, Sacks has been supportive of the space and will likely reinforce Trump’s intentions of minimal regulation. As Sacks will be a “special government employee” (part-time role), he is not required to divest or publicly disclose his assets and is not allowed to work more than 130 working days per year. This classification has been criticized by current White House AI advisors who have concerns over conflicts of interests.

Trump didn’t talk a great deal about AI while on the campaign trail, which indicates he may not care much about AI—leaving the door open for policy to be [steered](#) by other key players in his administration, particularly Elon Musk, who has already exercised his influence in the selection of the “AI Czar.” While offering few specifics about his plans for AI, the president-elect’s alliance with Musk and Sacks and his pledge to repeal President Biden’s AI executive order could mean private sector-driven innovation and competition will be prioritized over regulation.

AI & Energy

The rapid growth of AI and its associated technologies has led to a significant increase in energy consumption, particularly in data centers. This surge in power demand has sparked discussions about expanding and modernizing energy infrastructure to meet these growing needs. AI technologies, especially large language models and generative AI systems, require substantial computational power, which translates to high energy consumption. A single query to ChatGPT, for instance, can use up to [10 times](#) more electricity than a typical Google search. As AI applications become more widespread and sophisticated, their energy requirements are expected to grow exponentially.

This rapid increase in energy demand poses significant challenges to existing power grids and energy infrastructure. Major AI developers, including OpenAI, have recognized this issue and begun lobbying for the [expansion of energy infrastructure](#) to keep pace with the electricity needs of AI and data centers, reigniting interest in nuclear energy. Under the previous Trump Administration, there was a push to expand nuclear energy options throughout America to meet growing energy demands and modernize the current infrastructure. In August, he [announced](#) that he would “approve new drilling, new pipelines, new refineries, new power plants [and] new reactors” on “day one” of his administration. On Joe Rogan’s podcast, however, Trump [said](#) that large-scale nuclear projects “get too big, and too complex and too expensive,” which has provided mixed signals about his second administration’s expansion of pro-nuclear policies that the Biden Administration has built upon.



The expansion of energy infrastructure to support AI and data center growth has emerged as an area of common ground between Republicans and Democrats. Both parties recognize the need for further innovation and infrastructure development to address the strain on power grids caused by the scaling of AI and data centers, and both parties have supported safe nuclear energy expansion as a solution to the problem.