MEMORANDUM FOR SCUSA 74

SUBJECT: SCUSA 74 – Ensuring National & Global Economic Growth Through Innovation

Issue: The rate of technological innovation is exceeding society's ability to legislate, support, understand, or regulate it. Current US Policy needs to address this rapid development, and due to this, in an ever-changing global society, the US risks losing its status as being at the forefront of technological and economic innovation. Instead of slowing the rate at which this innovation occurs, the US needs to become more adaptable and flexible in an ever-changing world in which the US is at the forefront of economic and innovative development and the use of innovations to benefit the global economy and human welfare.

Strategic Analysis: Innovative technologies, such as generative AI and its implementation in the labor market, can potentially create widespread structural unemployment. The World Economic Forum estimates that 40% of all jobs will be negatively affected by existing AI technology, with 27% considered at "high risk" of being replaced. In addition, the United States infrastructure is currently under capacity in terms of public and private transportation, energy, and internet connectivity. Over fourteen million people, the majority from rural areas, do not have access to broadband internet, and forty-two million don't have access to data capable of video meetings. Without access to this resource, these individuals lose the ability to integrate into the global labor force in the digital age. As a result, the US cannot use the full potential of its human capital, and individuals who will become unemployed due to the integration of innovative technologies in the economy will be unable to pivot to new jobs.

Furthermore, the US economic system has historically followed a "shareholder primacy model," which focuses on maximizing the returns of shareholders. Unfortunately, this model fails to consider corporations' impact on society and only emphasizes profits. For example, we see a need for corporate investment in rural and impoverished regions, especially regarding Internet Service Providers (ISP), as it is simply not profitable to do so. Combining these factors will leave people unable to re-enter the job market as AI supplements jobs in the labor market.

Strategic Options: The two options presented to the modern world are to emphasize a policy of integration or regulation of these new technologies. Regulation brings with it stability; however, it also creates the risk of the United States being relegated to becoming technologically inept compared to burgeoning powers, specifically China. Innovation promises the maximum utilization of these technologies, but there is a potential for society to fall behind the pace of its development and fail to prevent negative externalities.

Recommendation. It is our position that the United States should integrate with the changes that innovation will bring in the coming years instead of attempting to slow it down while not forgetting the needs of the average American. It is essential to understand that these innovations will change the job market as we know it. For those who will be unemployed by these innovations to 'pivot' to new
roles, US policy must 'pivot' as well. The government's role in this process is to design policies that empower the private sector to establish public-facing training programs, akin to the success of Google AdSense, which would benefit both companies and individuals by equipping them with relevant skills. Simultaneously, we should explore ways to integrate these efforts into the existing educational infrastructure by incentivizing private and public universities to offer free courses to the general public. This holistic approach aims to present corporations with a clear path to cultivating a skilled workforce and nurturing economic growth, while ensuring individuals are equipped to navigate the evolving job landscape.

**Implementation**: Access to the Internet in the modern age is paramount to employment mobility; therefore, the US government should continue to pursue a hardline policy to expand Internet service to rural areas where it would otherwise not be profitable. ESG is an existing framework of incentives in which companies are incentivized to act as good corporate citizens in return for tax benefits. We suggest expanding on the principles of ESG to incorporate training credits, where the incentive structure would be expanded to include companies that create public-facing training programs. The companies will only benefit if they develop value for the user outside of the training company.

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