

# ARTIFICIAL INTELLIGENCE IN THE APP ECONOMY: OPPORTUNITIES AND RISKS

## THE ISSUE

Startups and small businesses are using artificial intelligence (AI) to drive the next wave of innovation. The members of ACT | The App Association are applying AI to solve real-world challenges in healthcare, finance, education, infrastructure, and more. Our members are streamlining government processes, enhancing cybersecurity, and making services more accessible and efficient. However, a surge of contradictory and overlapping policy proposals at every governmental level threatens to hinder these companies' ability to innovate responsibly.

## OPPORTUNITIES IN TECH LEADERSHIP

Our members are developing, deploying, and adapting AI technologies to enhance efficiency, transparency, and operational effectiveness in both government and the private sector. Their solutions address critical areas, including:

- **Budget Optimization:**  
Employing AI to analyze financial data, enabling more accurate budgeting and resource allocation.
- **Fraud Detection:**  
Utilizing AI to identify and prevent fraudulent activities, thereby safeguarding public funds and services.
- **Transparency:**  
Leveraging AI to make day-to-day operations and processes more transparent, fostering trust and accountability among clients and employees.
- **Application and Request for Proposal (RFP) Response Processing:**  
Streamlining the handling of applications and requests, reducing processing times, and improving user experiences.
- **Document Management:**  
Implementing AI-driven systems to organize, retrieve, and manage documents efficiently, facilitating better information governance.
- **Infrastructure Management:**  
Predictive analytics to anticipate maintenance needs, reducing downtime and extending the lifespan of critical infrastructure.
- **Cybersecurity:**  
Enhancing security measures through AI that detect and respond to threats in real-time, protecting sensitive information.
- **Workforce Training:**  
Deploying AI-powered tools to personalize learning, close skills gaps, and upskill employees efficiently in dynamic work environments.

# RISKING AI LEADERSHIP

Ironically, the regulatory morass we are seeing across the United States and globally might put this American small business leadership at risk. Here are three of our key policy concerns:

- **Regulatory Overreach:**  
Currently, more than 900 AI bills are pending in state legislatures across the country. Moreover, the EU has already passed AI regulations that are yet to be fully implemented or understood. Many propose regulating AI technologies themselves, potentially requiring premarket audits or assessments to evaluate risks of harmful bias, regardless of the likelihood or intent of such use. This kind of intervention would shut down broad swaths of beneficial AI system development by eliminating the introduction of tools that may possibly introduce risks if misused - a requirement that virtually no other technology is expected to meet.
- **Antitrust Oversensitivity:**  
Global antitrust authorities are threatening to close off the flow of investment dollars into the development of AI because many of the most significant investments come from large incumbent cloud service providers (CSPs). By positing that CSPs are only trying to lock down or prevent competition, these agencies are completely missing the fact that these markets are highly competitive, involve very small businesses, and are rapidly evolving. Restricting access to capital from CSPs could inadvertently harm small business competitors by limiting essential funding sources and ultimately reducing the number of competitors in the market.
- **AI and Copyright:**  
The increasing ubiquity of artificial intelligence (AI) has introduced uncertainties around the copyright protection of content like images as well as software developed through both open- and closed-source models. For small business software developers, like App Association members, who both deploy and use AI, these uncertainties disproportionately harm their ability to create competitive products across markets. While courts around the world test the boundaries of the lawful use of a copyrighted work, policymakers are attempting to create frameworks that allow for emerging technology to exist alongside strong intellectual property laws.

## WHAT POLICYMAKERS CAN DO

Policymakers **must reject antitrust measures and enforcement actions that would treat investments into burgeoning AI markets as anticompetitive.** They must also **avoid regulatory approaches that deem any potential risk of harm as unacceptable for AI technologies,** recognizing that such standards are not applied to other technological advancements.

By fostering a regulatory environment that balances innovation with responsible oversight, we can ensure that our members are able to utilize AI to deliver widespread benefits across all industries.

