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AI Disruption Plan: Preparing Americans for the Next Great Labor Shock

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Artificial intelligence is poised to transform the economy faster and more dramatically than any technology since electricity. What it will do to American jobs is far less clear.

Some forecasts are absolutely terrifying. Hundreds of millions of jobs exposed to automation. Generations of workers forced to change careers. The end of entry-level work. The end of white-collar work. The end of all work.

But for every headline claiming we're doomed, there's another with a more optimistic projection. The creation of vast new industries and jobs. Increased productivity and growth. Dramatically lower costs on goods and services. Enormous new opportunities for entrepreneurs. And transformations we cannot fully fathom today.

In other words: ***no one really knows.***

But history offers a guide. When transformative technologies arrive—whether electricity, computers, or the internet—the biggest economic challenge is not permanent job loss. It is **disruption**. Industries reorganize, new jobs emerge while others phase out, job duties evolve, training requirements change. Amid this disruption, millions of workers are forced to adapt.

In our view, AI will almost certainly follow that pattern. Policymakers can't stop technological change, but they can prepare Americans to thrive through it. That's why the United States needs a bold **AI Disruption Plan**—one that prepares workers for the AI economy and protects them when disruption inevitably comes.

At its core, an AI Disruption Plan must radically modernize training and the labor safety net in this country while ensuring those at the very top who stand to get exorbitantly rich off the technology pay for it.

There will be extensive debate over how to regulate AI broadly. America must figure out how to win the AI race, so we set the rules instead of letting authoritarian countries set them. Significant work must go into protecting our children, privacy, and national security. At the same time, we must also work to democratize the use of AI so more people in more places can benefit from its innovations on everything from health care to education. No single law or think tank memo will solve everything. But disruption is coming, so Washington must start planning for it with a bold **AI Disruption Plan**.

An AI Disruption Plan

1. Modernize Training to Better Prepare Americans to Thrive in the AI Economy

The most powerful defense against technological disruption is skills. But America's education and workforce systems were designed for the industrial era—not the AI economy.

That must change. AI is quickly becoming as fundamental to the workplace as calculators, computers, and the internet. Yet far too many American students graduate without any understanding of how these tools work or how to use them productively. A national AI disruption strategy must begin by better preparing Americans to work alongside the technology.

Start by making sure every American student is AI literate. Every public school in America should teach functional AI literacy—the ability to use AI tools, understand their limitations, and apply them responsibly in work and daily life. Federal dollars should fund technology teacher salaries, computers in every classroom, and help incorporate AI into lessons. Schools should be evaluated in part on how well students develop functional AI literacy and prepare to use these tools in the real world. In the coming economy, literacy will mean more than reading and writing. It will mean knowing how to work alongside AI.

Make apprenticeships as common as college. Only one-third of our workforce has a college degree, and millions of others may need to retrain mid-career as AI reshapes industries. We've called for a national commitment to spreading apprenticeships to every community in the country. Create Flagship Apprenticeship Universities in each of America's 50 states to bring together employers, educators, and workers to dramatically grow the number of new high-quality apprenticeship programs and guide participants towards success in the private sector. Build expertise and create clear pathways into fast-growing sectors like health care, child care and elder care, advanced manufacturing, energy, and digital services. Streamline regulations and cut red tape that burden our training system.

2. Modernize Our Leaky Safety Net for an Era of Technological Disruption

Even world-class education and training cannot prevent the downsides of disruption. Millions of workers could still face layoffs as industries reorganize around AI, but America's safety net was not designed for this kind of rapid technological change. It must be modernized.

Start by dramatically upgrading Unemployment Insurance. Unemployment Insurance should cushion workers during economic shocks, but today's system is a patchwork where benefits vary dramatically by state. The federal government should establish a modern national unemployment system that guarantees a baseline unemployment benefit, expands eligibility so more displaced workers qualify, increases benefit duration during periods of

economic disruption, updates employer taxation rules, and uses automatic triggers so support expands when layoffs spike.

We must also make unemployment shorter and less damaging. American Job Centers should become modern workforce hubs equipped with digital tools, real-time labor market data, employer partnerships, and strong performance incentives to help workers quickly find new jobs.

Create Federal Wage Insurance. For many mid- and late-career workers, retraining alone may not fully replace lost income. A 56-year-old worker displaced by automation may find a new job—but potentially at a much lower wage. If someone over a certain age has to take a new job that pays less due to AI disruption, they should receive temporary federal payments to replace part of the wage gap. This would cushion the financial blow of job displacement, encourage workers to return to work quickly, and help communities adjust to economic change.

3. Ensure Tech Moguls and Owners of Capital Pay for It

The AI revolution will create enormous wealth. But, without policy changes, much of that wealth will flow to investors and owners of capital. America should ensure that the gains from technological progress help finance the policies needed to manage its disruption. The best place to start is the tax code.

Tax investment income more like the way we tax labor, with a separate filing system and deduction. Most capital gains and dividends are currently taxed at lower preferential rates than wages, which significantly benefits higher net worth individuals. To bring more parity into the tax system, capital gains and dividends could be taxed more like ordinary income. They would be reported on annual tax returns separate from wage income much like they are now and would have their own standard deduction.

For example, if a married couple made \$100,000 in wage income and \$10,000 in investment income over the course of a year, they would be eligible for a \$31,500 standard deduction on each. So, they would owe taxes on \$68,500 of their wage income (\$100,000 minus the \$31,500 standard deduction) and nothing on their investment income because it was less than the \$31,500 standard deduction.

If a married couple instead made \$100,000 in wage income and \$1 million in investment income over the course of a year, they would owe taxes on \$68,500 of their wage income (\$100,000 minus the \$31,500 standard deduction) and \$968,500 on their investment income (\$1,000,000 minus the \$31,500 standard deduction). And the \$968,500 would be subject to progressively higher tax brackets, similar to wages.

In practice, that would allow most households with modest capital income to owe little or nothing, while ensuring that those with large amounts of investment income pay more. We estimate this change could raise roughly \$40 billion annually, depending on specific bracket levels.

Additionally, we should close one of the biggest loopholes in the tax code: stepped-up basis. Today, wealthy investors can accumulate huge gains over a lifetime and never pay taxes on them at all. When assets are passed on to heirs, the tax code simply wipes out the gains for tax purposes. The heirs inherit the asset as if the increase in value never happened. That means decades of investment gains can completely escape taxation. Ending stepped-up basis would ensure that large fortunes built on investment gains are taxed at least once, complementing the other reforms proposed here. There are many ways to close this loophole. One way is moving to a carryover basis system, and the Congressional Budget Office has estimated that it could raise more than \$200 billion over a decade.

The bottom line is this: AI will reshape the American economy in ways we cannot fully predict—but disruption is inevitable, and the country’s response will define the outcome. We as a nation must meet the disruption with the foresight it demands: preparing our workers, strengthening our safety net, and ensuring the gains of this new era are broadly shared. With a bold AI Disruption Plan, America can once again prove that even in moments of profound transformation, we rise together.
