

The Price of Freedom

Why Democracies Risk Pricing Themselves Out of the AI Century



Liberal democracies may be on the verge of making one of the most expensive strategic mistakes of the digital age.

In seeking to build the world's safest, most transparent and most trustworthy artificial intelligence, they risk making it too expensive for much of the world to adopt.

That possibility should concern every Western policymaker. If trusted AI becomes a premium product while authoritarian governments subsidise capable alternatives, the defining contest of the AI age will not be won by the best model. It will be won by the one that becomes the global standard.

History suggests that enduring geopolitical influence belongs less to those who invent the finest technology than to those whose technology becomes indispensable to everyone else. Artificial intelligence is therefore becoming less a race to build better models than a contest to determine who supplies the world's cognitive infrastructure.

This is the strategic paradox confronting liberal democracies.

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Every frontier model developed within an open society carries what might be called a Democracy Premium. It reflects the cumulative cost of building systems worthy of public trust. Copyright licensing, privacy protections, cybersecurity, transparency obligations, independent safety testing, judicial oversight, regulatory compliance and increasingly expensive computing infrastructure all add cost.

These obligations are not weaknesses. They represent one of democracy's greatest competitive advantages. Citizens rightly expect powerful AI systems to be accountable because these technologies will increasingly influence healthcare, finance, education, defence, justice and public administration. Collectively, however, those safeguards also make trusted AI more expensive to build and deploy.

Authoritarian governments operate under a very different economic model. State-directed industrial policy, extensive public subsidies, access to vast state-controlled datasets, weaker intellectual property protections and direct government financing substantially reduce development costs. Commercial return is only one objective. Strategic influence is another.

Artificial intelligence therefore becomes not simply a commercial product but an instrument of national power.

The world already understands the strategic effects of economic dumping. Governments subsidise production until prices fall below commercial reality. Competitors struggle to survive. Markets consolidate around the cheapest supplier and dependence gradually follows.

Artificial intelligence introduces something even more consequential.

It enables what might be described as cognitive dumping: the global distribution of heavily subsidised intelligence designed to maximise strategic adoption rather than commercial return. The objective is not immediate profit but scale, because scale establishes dependence, and dependence ultimately creates influence.

China has already demonstrated its willingness to use industrial policy to establish leadership across telecommunications, solar manufacturing, electric vehicles and critical minerals. Artificial intelligence should be expected to follow the same strategic logic.

Former Google chief executive Eric Schmidt recently warned that many governments may adopt Chinese AI models "not because they're better, but because they're free." Whether or not that prediction proves entirely accurate, it captures an uncomfortable economic reality.

Most governments, universities, hospitals and businesses will not select AI systems through ideological debate. They will compare capability against cost. If one frontier model costs hundreds of dollars each month while another delivers broadly comparable performance at little or no cost, the commercial decision becomes increasingly obvious.

Markets often reward affordability before they reward trust.

Yet that economic choice is far from strategically neutral.

Throughout history, great powers have projected influence through infrastructure. Britain exported railways. The United States exported electricity, aviation, the internet and cloud computing. These technologies became more than commercial successes. They established the standards upon which other nations built their economies.

Artificial intelligence exports something even more valuable.

It exports reasoning itself.

Large language models do far more than answer questions. They shape assumptions about evidence, authority and legitimacy. They influence which information appears credible, how competing arguments are weighed and which patterns of reasoning become normal. Every frontier model reflects deliberate choices about training data, optimisation, reinforcement and governance. Absolute neutrality does not exist.

The implications extend well beyond economics. A globally dominant AI platform becomes a platform for influence.

Chinese frontier models already operate within political boundaries established by the Chinese Communist Party. That is not an unintended consequence of their design but an expression of state policy. If such systems become deeply embedded across governments, universities, businesses and public institutions

worldwide, Beijing acquires something previous great powers could scarcely have imagined: influence woven directly into everyday cognition.

Traditional propaganda sought to shape another nation's information environment from the outside. Artificial intelligence creates the possibility that foreign influence becomes embedded within the information environment itself.

The stakes rise further as societies increasingly depend upon AI not simply for information but for judgement. Governments will use it to improve public administration. Militaries will integrate it into planning and logistics. Hospitals will employ it in diagnostics. Universities will rely upon it for research. Businesses will embed it throughout decision-making.

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That dependence creates vulnerabilities extending far beyond economics. Future suppliers may shape pricing, functionality, access and, potentially, the informational environment upon which millions of people increasingly rely.

This is why NVIDIA chief executive Jensen Huang has argued that every nation requires sovereign AI reflecting its own language, culture, knowledge and national priorities. Sovereign AI is rapidly becoming as strategically significant as sovereign energy, sovereign communications and sovereign defence capability.

None of this suggests democracies should weaken privacy protections, abandon transparency or compromise safety. Trust remains the West's greatest comparative advantage.

The challenge is ensuring that trust does not become an unaffordable luxury.

That requires recognising frontier AI as critical national infrastructure rather than simply another technology sector. Investment in sovereign compute, trusted open-weight models and shared AI capability across the Five Eyes, AUKUS and NATO should become strategic priorities. Equally important, democratic governments must begin treating affordability as a national security issue rather than merely a commercial one.



The defining question of the AI century is no longer who builds the most capable model. It is who supplies the intelligence upon which the rest of the world depends.

Liberal democracies still lead in scientific discovery, frontier research and trusted institutions. Those strengths remain formidable. History, however, repeatedly demonstrates that technological leadership alone does not guarantee strategic leadership.

If trusted democratic AI becomes a premium product while subsidised authoritarian alternatives become the global default, liberal democracies may preserve their values at home while quietly surrendering influence abroad.

That would not simply be a commercial failure.

It would be one of the defining strategic miscalculations of the AI century.