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Headline: Rethinking the Inflationary Effects of Deglobalization and the Green Transition

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Publication	Goldman Sachs
Publication Date	July 18, 2023

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Summary: Artificial intelligence could exert downward pressure on consumer prices if it provides the sort of large, sustained boost to productivity growth that we expect. In the late 1990s and early 2000s, a similar productivity boom led by the technology sector enabled the Fed to let the labor market become quite tight by historical standards without running into an inflation problem. A future productivity boom should have similar effects. Artificial intelligence is likely to boost productivity by lowering production costs and improving consumer goods and services in more qualitative ways. These effects should also lower measured consumer prices. Related: Summers and Blanchard Debate the Future of Interest Rates and What Have We Learned About the Neutral Rate?

Primary Topic: Investment

Topics: Investment, Other Source, Productivity

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