

Macro Roundup Article

Headline: “The Simple Macroeconomics of AI”

Article Link: <https://marginalrevolution.com/marginalrevolution/2024/04/the-simple-macroeconomics-of-ai.html>

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Tweet: .@tylercowen argues the @DAcemogluMIT estimate of AI's productivity impact fails to account for new tasks that labor has not yet performed, gains from better science, or the departure of the least productive firms.

Summary: Mostly I think [the Acemoglu] piece is wrong, and I think it is wrong for reasons of economics. It is not that I think the estimate is off, I think the method is misleading altogether. As with international trade, a lot of the benefits of AI will come from getting rid of the least productive firms from within the distribution. This factor is never considered. And as with international trade, a lot of the benefits of AI will come from “new goods.” Since the prices of those new goods previously were infinity (do note the degree of substitutability matters), those gains can be much higher than what we get from incremental productivity improvements. Acemoglu explicitly rules out gains from doing better science, as they may not come within the ten-year time frame. In sum, I don't think this paper at all establishes the “small gains point” it is trying to promote in the abstract. It is perfectly fair to point out that the optimists have not shown large gains, but in this paper, the deck is entirely — and unfairly — stacked in the opposite direction. Related: Society's Technical Debt and Software's Gutenberg Moment and Generative AI at Work and The Simple Macroeconomics of AI

Primary Topic: Innovation/Research

Topics: Database, GDP, Growth, Innovation/Research, Investment, Op-Ed/Blog Post, Productivity

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