

Macro Roundup Article

Headline: [Will A.I. Transform the Economy, and if So, How?](#)

Article Link: <https://www.nytimes.com/2023/10/03/opinion/ai-jobs-economy-budget.html>

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Publication	Krugman Works Out
Publication Date	October 04, 2023

Tweet: [@paulkrugman](#) notes a TFP surge between 1995-2005 that left US productivity 12% above its 1973-95 trend and suggests that AI may increase productivity by 15% over the next decade, driving GDP growth above the Fed's estimate of 1.8% per year.

Summary: Here's a view of the 1995-2005 boom, in which I show the natural log of productivity — so that a straight line corresponds to steady growth — and plot a continuation of the growth rate from 1973 to 1995 (the red line), so that you can see how actual growth compared. By the time the productivity surge tapered off, productivity was about 12% higher than the previous trend would have led you to expect it would be. Since A.I. is arguably an even more profound innovation than the technologies that drove the 1995-2005 boom, 15% isn't at all unreasonable. If optimistic estimates of the boost from the technology are at all right, growth will be much higher than conventional estimates of the economy's long-run sustainable growth rate, like those of the Federal Reserve, which put it at around 1.8% over the next decade. [If that's the case] debt won't be a big concern after all — especially because faster growth will boost revenue and reduce the budget deficit. Related: Integrating the Goldman AI Report Into Our Views and The Outlook for Long-Term Economic Growth and AI, Mass Evolution, and Weickian Loops

Primary Topic: Innovation/Research

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

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