Artificial Intelligence, Scientific Discovery, and Product Innovation[*]

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This paper studies the impact of artificial intelligence on innovation, exploiting the randomized introduction of a new materials discovery technology to 1,018 scientists in the R&D lab of a large U.S. firm. AI-assisted researchers discover 44% more materials, resulting in a 39% increase in patent filings and a 17% rise in downstream product innovation. These compounds possess more novel chemical structures and lead to more radical inventions. However, the technology has strikingly disparate effects across the productivity distribution: while the bottom third of scientists see little benefit, the output of top researchers nearly doubles. Investigating the mechanisms behind these results, I show that AI automates 57% of "idea-generation" tasks, reallocating researchers to the new task of evaluating model-produced candidate materials. Top scientists leverage their domain knowledge to prioritize promising AI suggestions, while others waste significant resources testing false positives. Together, these findings demonstrate the potential of AI-augmented research and highlight the complementarity between algorithms and expertise in the innovative process. Survey evidence reveals that these gains come at a cost, however, as 82% of scientists report reduced satisfaction with their work due to decreased creativity and skill underutilization.