

How Artificial Intelligence Will Shape Our Future

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As AI improves and becomes more powerful, its impact on the world economy will become vastly more significant. It will affect virtually every aspect of the world economy – from unemployment rates to economic growth, productivity, income inequality and more.

Some argue that so far, AI has not had a large enough impact, but as its development accelerates, its effects will grow exponentially. Whether we like it or not, automation and job displacement are already here, slowly pushing the human workforce into different domains. Similar patterns can be found throughout history; new technology made certain products and jobs obsolete, and eventually humans were forced to switch to more innovative products and new jobs.

For instance, occupations such as a milkman, switchboard operator and knockerupper (a human alarm clock that used to tap on windows) no longer exist today. Steam engines were replaced with internal-combustion engines, and coachmen became chauffeurs. It's a natural process: As technology advances, it doesn't make sense to have humans work the same old jobs.

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Higher productivity at a relatively cheaper price

When we examine the job displacement, we should analyze the phenomenon referred to as “The Great Decoupling,” which reveals that up until the 1970s, productivity and hourly wage increased at the same pace; since then, however, the hourly income has not been able to keep up with the productivity increase. This disparity between the two curves might get even worse with AI automation.

Moreover, when we look at other economic indicators, such as returns to capital and labor, we can see that the former has been outperforming the latter consistently for the past decades. If we combine the mentioned indicators, we can infer that investors are getting higher productivity from employees at a relatively cheaper price due to the improvement in capital assets and technology used by the employees.

Furthermore, if we add AI automation to the premises above, we get super-high productivity from a fraction of employees for a fraction of the cost. The implications of this can be huge for the world economy. Will the rich get richer, leaving the ones without capital even more powerless? Or maybe it will level the playing field, and nobody will have to work for a living? The outcry that jobs will be lost has been there forever, but we clearly see that the world is a better place to live than ever before. Overall poverty levels have been declining across the globe, and the average human lifespan has been increasing.

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When computers became cheaper, they served as the foundation for a

variety of industries

In the mid-term perspective, AI advancement will enable products to be produced cheaply and in abundance. This, in turn, will lead to demand quantity increase for the cheaply produced products. That's just economics: When the price of a product decreases, more people can afford it, and the demand quantity increases. This demand drive might mitigate the severity of the job losses – offsetting it to some degree. Additionally, when certain technologies become cheap, it sparks the creation of completely new industries, in which money is invested and jobs are created. For example, when computers became cheaper, they served as the foundation for a variety of new industries.

According to Moore's Law, the number of transistors on a microchip doubles every two years; hence, the cost of computers is more or less halved. When computers become cheap, this means that the computational power can be utilized in ways never imagined before: smart watches, smartphones, tablets, smart glasses, smart homes, automotive self-driving systems and more. The fact that this much computational power became available at such a cheap price kick-started whole new industries and application ideas. Consequently, new products and jobs were created to satisfy the growing demand for such novel technology and products. In economic terms, the supply curve shifted, meaning that at any given price, consumers would be able to purchase more of the computational power embedded in various products.

It cannot be refuted that so far humans have been able to create more jobs and income opportunities for an ever-growing population despite the fact that some of the older professions have been replaced by robots and technology. We cannot say for sure, but this trend may continue for the next 50 to 100 years at least.

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We will witness the creation of industries that are unimaginable now

In the long term, AI will be able to perform more of the tasks that humans do right now, but for AI to replace the majority of the current jobs, it will take 80 to 100 years, maybe even more. Eventually, humans might be pushed out from most traditional jobs, but since we've been creating whole new industries and an increasing number of jobs, we might not care at all. Total human replacement is unlikely in the foreseeable future.

But if AI ends up in the hands of a few companies, then these companies will essentially take over the world. Although the economic pie will get larger, which in its turn should lift more people out of poverty, the income inequality might worsen. On a positive note, we will witness the creation of industries that are unimaginable now. Two decades ago, it was impossible to imagine that we would see an increasing number of people making a living by creating online content on platforms like Youtube and Instagram. The same way internet brought completely new domains and displaced some of the workforce, AI and automation will lead to the creation of totally new jobs.

The future of AI is both exciting and frightening, and our company is trying to democratize access to AI services and contribute to its safe development.

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