

Labor and Inequality Post-AGI

KDI/Brookings Seminar on Digital Transformation and AI:
Implications for Inequality and Global Economic
Convergence

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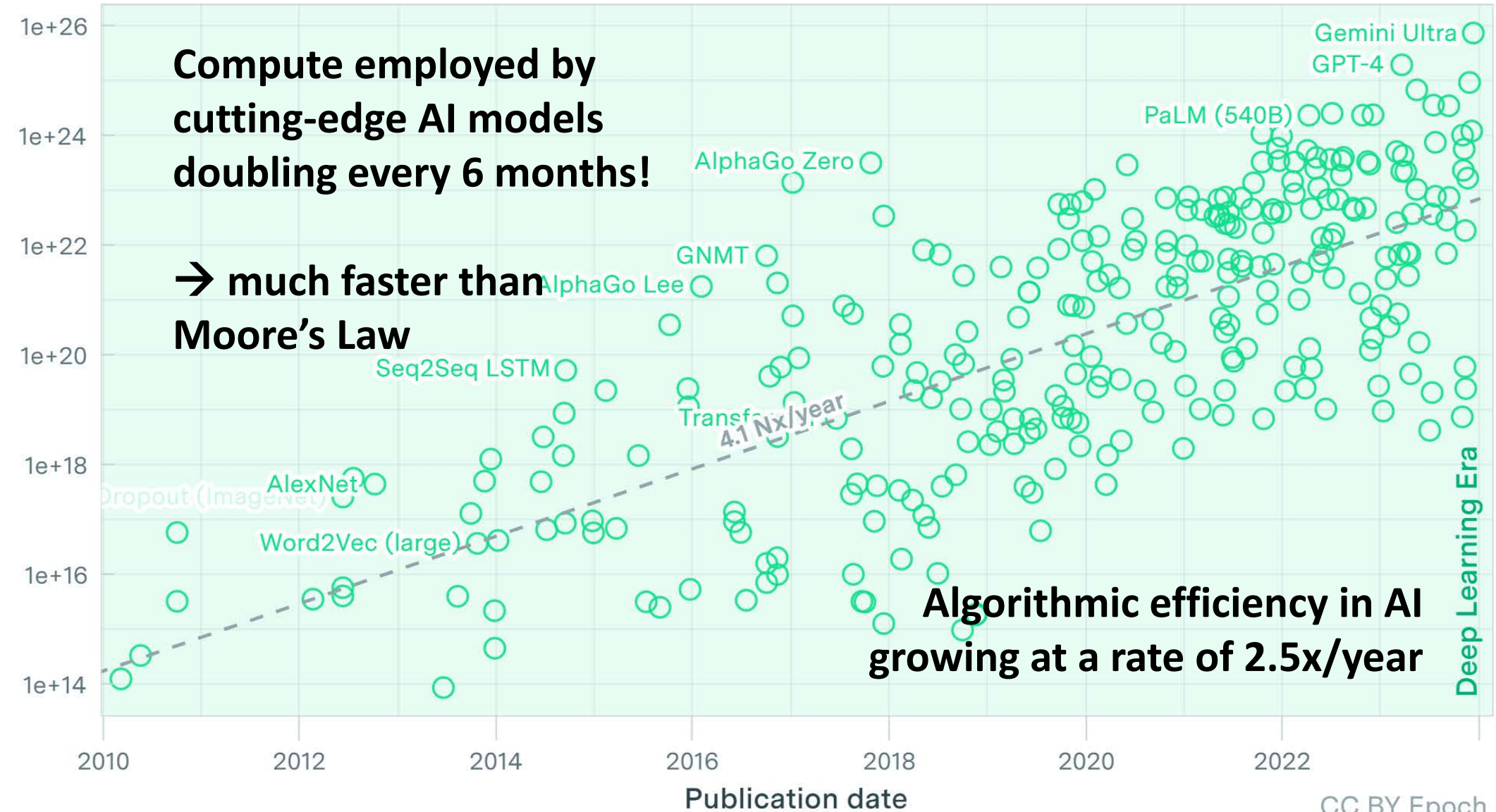
Rapid Pace of Advances in AI

Frontier AI models are improving rapidly:

- rising capabilities
 - more and more areas in which AI meets/exceeds human capabilities
- increasing speed
- growing efficiency/lower cost

Recent advances merely continue a decades-long trend

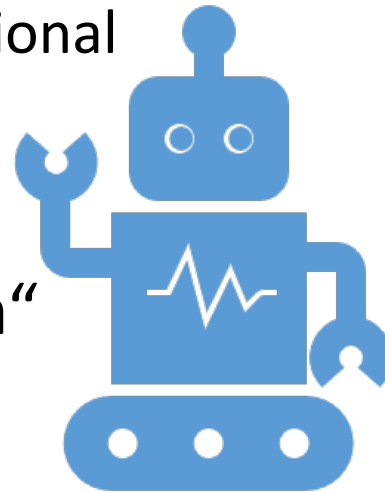
Training compute (FLOP)



Where is this all going?

Declared goal of frontier AI labs: Artificial General Intelligence (AGI)

- AGI = AI that can perform any cognitive task performed by humans
 - General reasoning, problem-solving, abstract thinking, creativity, emotional intelligence, ...
- Implication: AI Agents everywhere, role of humans diminished
- Potential for recursive self-improvement, "intelligence explosion"
- Potential timelines: expert estimates range from 3 to 20 years
- Robotics is not far behind



Geoff Hinton: "I have suddenly switched my views on whether these things are going to be more intelligent than us." ... "I now predict 5 to 20 years..."

Quoted in MIT Technology Review & Twitter 2023

Sam Altman (2024):
AGI will be a reality in
"5 years, give or take"

Quote in "Our AI Journey" 2024

Economic Scenarios for the Transition to AGI

“Scenarios for the Transition to AGI,” with Don Suh, NBER WP 32255

- analyzes the implications of progressive automation of work tasks
- AGI could, by definition, perform all work tasks

→ what happens if AI systems can do more and eventually all work?

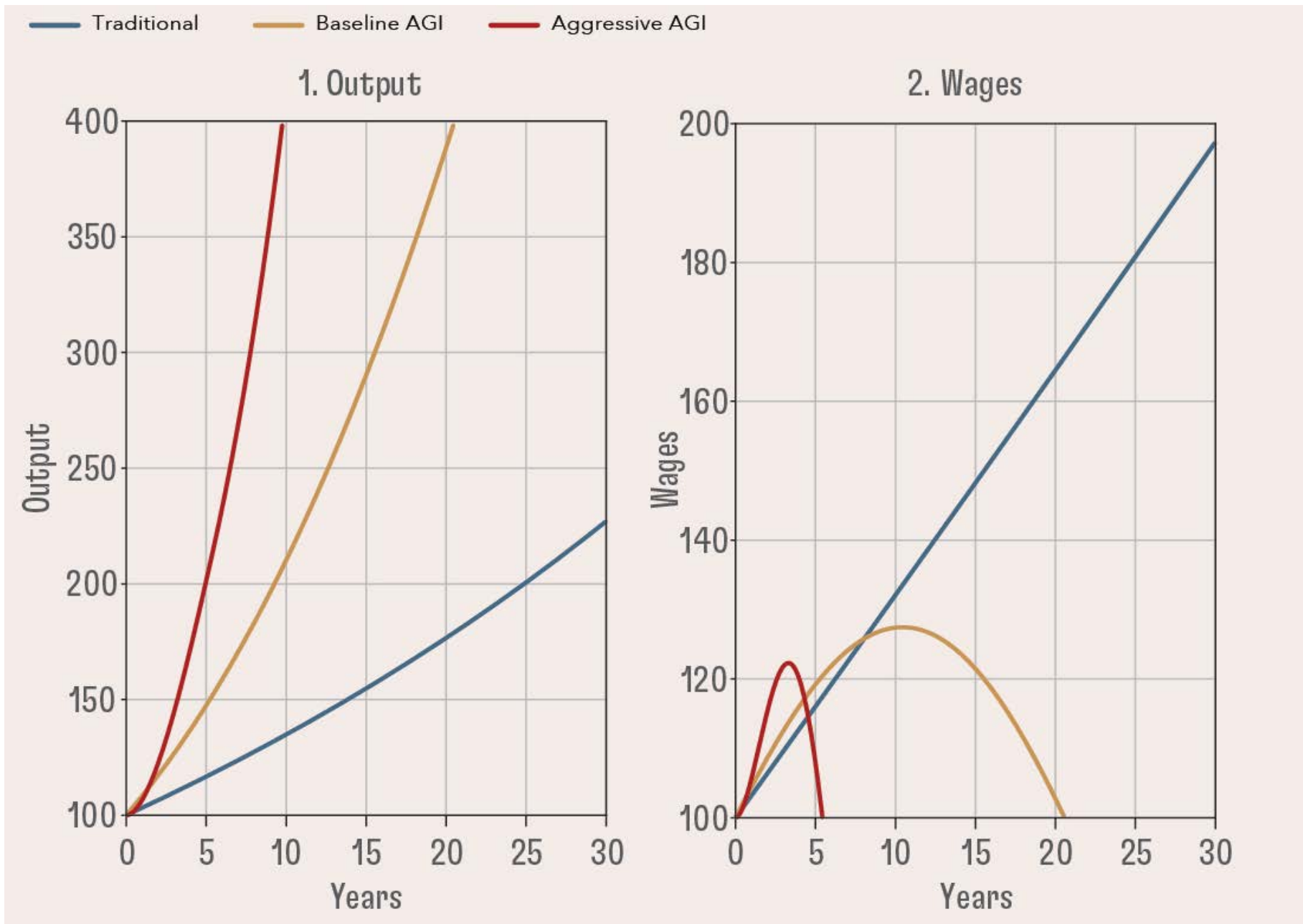
→ biggest concern: implications for labor and inequality

- Under AGI, output growth accelerates but labor loses the race

Scenarios for the Transition to AGI

Scenarios that we analyze (and I consider > 10% probability):

- I) Business as usual: AI boosts productivity – akin to the internet boom
- II) AGI within 20 years: Gradual advancement towards AGI over 2 decades
- III) AGI within 3-5 years: Rapid advancement in coming years



→ See my IMF F&D Article on [“Scenario Planning for an A\(G\)I Future”](#)

Labor Post-AGI

The Changing Nature of Labor:

- AGI & robots will ultimately have the capacity to perform any cognitive and physical task humans can
 - Labor loses its status as the main irreproducible factor of production
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- Widespread labor displacement and wage declines
 - Shift from human labor to AI and robots as primary drivers of economic activity

Labor Post-AGI

Transitory Sources of Labor Demand Post-AGI:

- Production and diffusion lags in AI adoption
- Need for AI systems to acquire implicit knowledge
- Trust issues and perceived human superiority in certain roles
- Legal and regulatory protections for human workers

Labor Post-AGI

Long-Term Niches for Human Labor:

- Roles requiring authentic human connection
- Jobs tied to human identity (e.g., performances, sports, arts)
- Religious roles requiring human involvement
- AI alignment and oversight roles

AGI and Income Distribution

Income Distribution and Inequality

- Benefits of AGI may accrue primarily to capital owners
- Potential for unprecedented levels of income concentration
- Need for new mechanisms of income distribution

Challenge to Global Income Distribution

Most successful development strategy over the past century:

- Export-led growth based on comparative advantage in cheap labor
 - AI and robots will be even cheaper
 - Potential silver lining for some: ToT gains from natural resources
- Risk that the gains of developing countries from integrating into the world economy will go into reverse
- Aggravation of poverty and inequality
- Worst-case scenario: return to autarky
- My paper on “AI, Globalization, and Strategies for Economic Development,” with Joseph E. Stiglitz, NBER WP w28453

Preparing for the Future

We need an all-hands-on-deck effort to

- do scenario planning for possible AI futures
- work on broadly disseminating the economic benefits of AI
- prepare new economic policy frameworks for a post-AGI world

Goal: an AI-powered future aligned with human values and flourishing